Beneficial Corporation, through its subsidiaries, provides a broad range of financial services and consumer products.

Beneficial Corporation

Annual Report 1974

Beneficial Corporation 1974 Annual Report

Highlights

During the Year	1974	1973	% Increase (Decrease)
Income before Extraordinary Credit	**$70,368,000**	$75,927,000(b	(7.3)
Extraordinary Credit	**$12,109,000**(a	—	—
Net Income	**$82,477,000**	$75,927,000(b	8.6
Earnings per Common Share:			
Primary			
Before Extraordinary Credit	**$3.19**	$3.52(b	(9.4)
Extraordinary Credit	**$ .63**(a	—	—
Net Income	**$3.82**	$3.52(b	8.5
Fully-diluted			
Before Extraordinary Credit	**$2.82**	$3.05(b	(7.5)
Extraordinary Credit	**$ .49**(a	—	—
Net Income	**$3.31**	$3.05(b	8.5
Dividends Paid per Common Share	**$1.25**	$1.20	4.2
Loan and Finance Offices:			
Finance Receivables Acquired			
Amount*	**$1,669,254,000**	$1,739,432,000	(4.0)
Number	**1,886,000**	2,177,000	(13.4)
Average Amount of Transaction*	**$885**	$799	10.8
Net Sales and Other Revenue:			
Western Auto	**$643,204,000**	$631,989,000(b	1.8
Spiegel	**$396,028,000**	$430,613,000(b (c	(8.0)

At Year End	1974	1973	% Increase (Decrease)
Loan and Finance Offices:			
Finance Receivables*	**$1,781,500,000**	$1,700,696,000	4.8
Number of Accounts	**2,136,000**	2,250,000	(5.1)
Average Account Balance*	**$834**	$756	10.3
Number of Offices	**1,773**	1,814	(2.3)
Western Auto:			
Number of Company-owned Stores	**544**	544	—
Number of Associate Stores	**4,271**	4,249	0.5
Number of Employees	**29,300**	32,900	(10.9)
Number of Holders of Common Stock	**30,000**	29,300	2.4

* After deducting Unearned Finance Charges.

a) See Note 16, Page 22.

b) Restated for retroactive changes in method of revenue recognition by the non-consolidated merchandising subsidiaries. (See Note 2, Page 18.)

c) Restated for consolidation of life insurance company. (See Spiegel Note 1b, Page 28.)

Contents

Annual Meeting

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Wednesday, April 30, 1975 at 11 a.m. Eastern Daylight Time at the office of the Company, Beneficial Building, 1300 Market Street, Wilmington, Delaware.

Beneficial Corporation

Beneficial Building, Wilmington, Delaware 19899

Beneficial Corporation, a Delaware corporation, is a holding company. Its subsidiaries are divided into two operating categories, a Finance Division and a Merchandising Division.

The Finance Division consists principally of the loan and finance offices, which engage in the consumer loan and sales finance business in the United States, Canada, England, and Australia. The other subsidiaries in the Finance Division are engaged in insurance, primarily credit life and credit accident and health, and the operation of a commercial bank.

The Merchandising Division is made up of wholly-owned subsidiaries, Western Auto Supply Company and Spiegel, Inc., and their subsidiaries. Western Auto carries on a nationwide business, selling a variety of merchandise, principally durable goods, at retail in its own stores and at wholesale to independently owned and operated associate stores. Spiegel, Inc. is engaged in the sale of merchandise, primarily soft goods, through catalogs, by mail and through order stores.

Information required by Securities and Exchange Commission rules concerning the lines of business of the Company's subsidiaries is included in the Eleven-Year Summary on Page 30.

To Our Shareholders

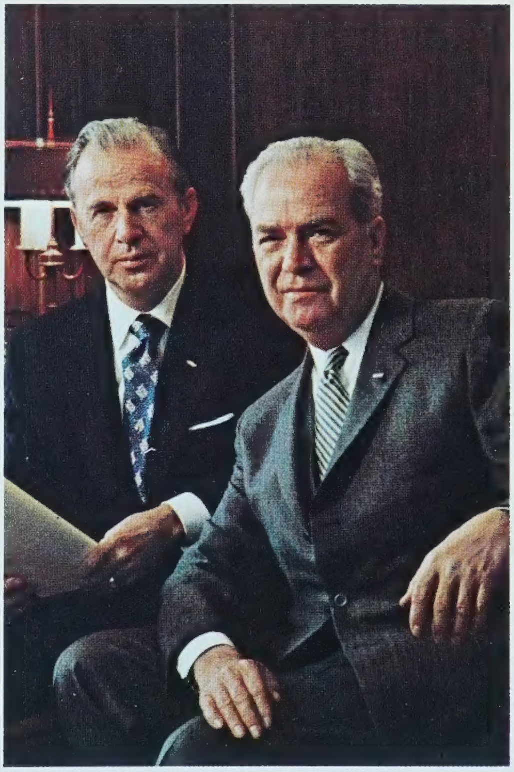
The general economic downturn in 1974 was evidenced in Beneficial by a 7.3% decline in Income before Extraordinary Credit. Despite the decline to $70.4 million from $75.9 million—$3.19 per share of Common Stock (primary) compared with $3.52 per share—such income was surpassed by Beneficial only twice before. Including the Extraordinary Credit, Consolidated Net Income was $82.5 million.

In the fourth quarter of 1974, Beneficial received liquidating dividends totaling $22.1 million from Florida Properties Inc., a 79.9% owned subsidiary, resulting in an after tax Extraordinary Credit of $12.1 million. This is covered in Earnings and Dividends, Page 2, and Note 16 to Beneficial's Financial Statements. Funds from this transaction are being used in the business of other Beneficial subsidiaries and will result in considerable savings in interest costs.

While 1974 aggregate Revenues of the Finance and Merchandising Divisions were about level with those of 1973, the higher level of inflation prevailing during 1974 exacted its toll in two principal areas—interest expense and receivables charged off. Interest rates on borrowed money reached all time highs during the year and the greater charge-offs required a much larger Provision for Possible Credit Losses.

The major portion (71.8%) of Income before Extraordinary Credit was derived from the Finance Division, comprised of the loan and finance and related insurance operations. The $50.5 million Net Income from this source was 4.0% less than the $52.6 million realized in 1973. Receivables of $1,782 million at year end and Revenue for the year of $452.5 million reached new highs, but the comparatively faster growth in costs resulted in a 12.0% decrease in Net Income from loan and finance office operations to $39.8 million. The Insurance Group reported satisfactory gains in net assets, premium income, and insurance in force, and its Net Income increased 44.4% to $10.7 million.

Declines were shown by the Merchandising Division, consisting of Western Auto Supply Company and Spiegel, Inc. and their respective subsidiaries, which contributed 28.2% of Income before Extraordinary Credit. The 2.2% decline in the Division's Net Sales and Other Revenue to $1,039.2 million was the result of a combination of a 1.8% gain for Western Auto and an 8.0% decline for Spiegel. The Net Income for each was less than that reported for 1973.



During 1974 Beneficial paid cash dividends in the amount of $33.3 million to the holders of Common and Preferred shares. Its record of regular, consecutive, quarterly cash dividends on its Common Stock since its incorporation in 1929 was continued.

Economic forecasts for 1975 are generally pessimistic. The Company is well aware that a major effort is required to maintain its leadership in the consumer finance field and to sustain the strength of its merchandising subsidiaries. Beneficial will draw on its considerable experience to conduct its business well and to oversee carefully all phases of operations.

For the Board of Directors,

Edgar T. Higgins
Chairman of the Board

Cecil E. Benadom
President

March 3, 1975

Earnings and Dividends

Despite the fact that 1974 was a difficult year, it ranked third for Beneficial in Net Income excluding Extraordinary Credit. In addition, an Extraordinary Credit relating to the sale by a subsidiary of 64,000 acres of undeveloped land located in the State of Florida, is detailed below and in Note 16 to Beneficial's Financial Statements (Page 22). Net Income compares with the prior year as follows:

	1974	1973
	(in millions)	
Income before Extraordinary Credit	$70.4	$75.9
Extraordinary Credit	12.1	—
Net Income	$82.5	$75.9

Net Income for 1973 and prior years has been restated as explained in Note 2 to Beneficial's Financial Statements (Page 18) to reflect changes in accounting methods by the subsidiaries comprising the Merchandising Division.

Earnings per Common Share (Primary) show the following:

	1974	1973
Income before Extraordinary Credit	$3.19	$3.52
Extraordinary Credit	.63	—
Net Income	$3.82	$3.52

Net Income excluding Extraordinary Credit was derived by Division as follows:

	Dollars		Percent	
	1974	1973	1974	1973
	(in millions)			
Finance Division	$50.5	$52.6	71.8%	69.3%
Merchandising Division:				
Western Auto	14.6	15.3	20.7	20.1
Spiegel	5.3	8.0	7.5	10.6
Combined	19.9	23.3	28.2	30.7
Income before Extraordinary Credit	$70.4	$75.9	100.0%	100.0%

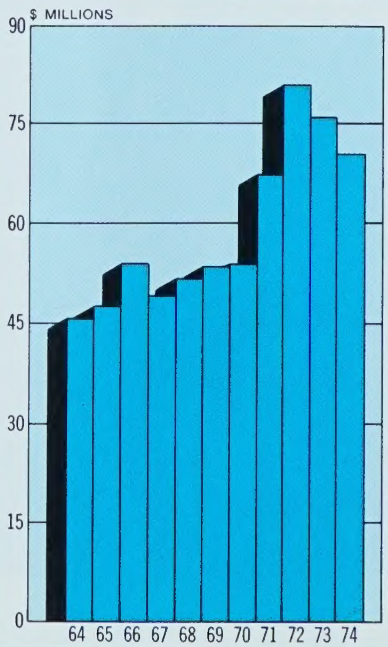
Expenses of the Finance Division generally increased more rapidly than did Revenue. This was particularly true for Interest Expense, 13.5%; Provision for Possible Credit Losses (after offsetting recoveries), 25.4%; and Insurance Benefits Provided, 27.9%. Provision for U.S. and Foreign Income Taxes decreased $7.9 million (18.2%) as set forth in Note 15 to Beneficial's Financial Statements (Page 21).

Fourth Quarter Results

	1974	1973
	(in millions)	
Net Income:		
Finance Division	$ 9.2	$10.6
Merchandising Division:		
Western Auto	2.5	3.3
Spiegel	1.7	1.5
Combined	4.2	4.8
Income before Extraordinary Credit	13.4	15.4
Extraordinary Credit	12.1	—
Net Income	$25.5	$15.4
Earnings per Common Share—Primary—before Extraordinary Credit	$.58	$.68

Consolidated Net Income
Excluding Extraordinary Credit (1974)

1974	$70,368,000	1969	$53,657,000
1973	75,927,000	1968	51,963,000
1972	81,075,000	1967	49,100,000
1971	67,293,000	1966	54,035,000
1970	53,788,000	1965	47,642,000
		1964	45,708,000



Operations of the Finance Division reflect the following:

	1974	1973	% Increase (Decrease)
	(in millions)		
Gross Revenue:			
Loan and Finance	$388.2	$366.5	5.9%
Insurance	64.3	49.8	29.0
Total	$452.5	$416.3	8.7
Net Income:			
Loan and Finance	$39.8	$45.2	(12.0)
Insurance	10.7	7.4	44.4
Total	$50.5	$52.6	(4.0)

The decrease of 14.9% in Net Income of the Merchandising Division results primarily from increases in Provision for Doubtful Accounts (10.6%) and Interest Expense (9.3%) and a slight downturn in sales, particularly aggravated in the fourth quarter.

Combined Interest Expense of the two Divisions increased $20.1 million, of which $15.2 million (76.0%) was caused by increases in interest rates. The increase in rates reduced Net Income by $7.9 million, Primary Earnings per Common Share by $.41 and Fully-diluted by $.32. For 1973, of the 18.9% increase of $20.5 million in Combined Interest Expense, 53.0% ($10.9 million) resulted from higher interest rates.

The Extraordinary Credit resulting from the sale of land by Florida Properties Inc. is calculated as follows:

		(in thousands)
Liquidating Dividends Received		$22,057
Less: Portion not Related to Extraordinary Credit	$ (233)	
Investment in Subsidiary	3,773	
Equity in Undistributed Net Income, December 31, 1973	1,218	
Federal Income Tax	5,190	9,948
Extraordinary Credit		$12,109

Dividends per Common Share were 4.2% more in 1974 than in 1973. The December 31, 1974 dividend represented the 182nd consecutive quarterly payment.

Financial

Beneficial's continued financial strength is demonstrated by its Balance Sheet and the related Statement of Changes in Financial Position. The Company continues its philosophy of financing long-term growth primarily through the use of long-term debt and the reinvestment of a substantial part of its Net Income. This policy reduces dependence on the short-term money market, with a corresponding reduction in the cyclical effect of short-term interest rate fluctuations on earnings.

Borrowed funds at year end of Beneficial Corporation and Consolidated Subsidiaries amounted to $1,650.4 million, an increase of $31.5 million during 1974. Total debt consisted of short-term notes payable of $265.0 million, employee thrift accounts of $24.9 million, long-term debt due in 1975 of $41.9 million, and debt maturing after 1975 of $1,318.6 million. Debt maturing after 1975 accounted for 96.9% of all long-term debt.

At December 31, 1974 short-term notes payable were made up of bank loans of $117.9 million and commercial paper of $147.1 million. During the year short-term borrowings averaged $77.7 million at banks and $201.5 million in commercial paper. The maximum amount of short-term notes payable as of any month end was $387.7 million.

Short-term interest rates reached historic highs during the year. Giving effect to compensating balances at banks, the average rate of annual interest expense in 1974 for the Finance Division was 7.52%, which compares to 6.86% for 1973.

At year end the average interest rate for notes then outstanding at banks was 10.58%, commercial paper—10.26%, and long-term debt—6.68%.

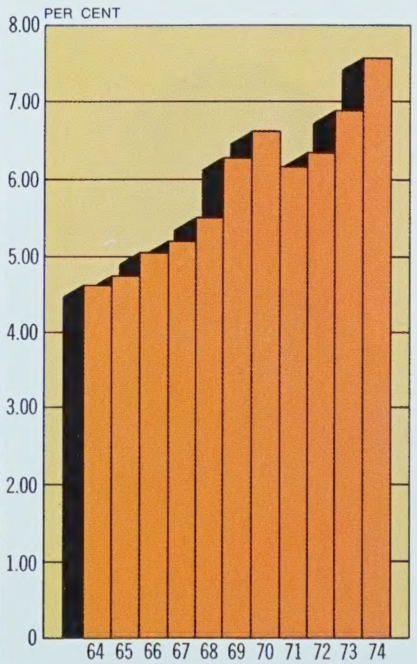
Credit lines of over $400 million, including a multi-currency credit facility of $50 million with a group of foreign banks, are maintained by the Company and consolidated subsidiaries. (See Note 8 to Beneficial's Financial Statements, Page 20.)

In November the Company became a direct issuer of commercial paper and established a department for the sale of such paper. The transition from sales of commercial paper through a broker to direct sales was successfully completed by year end with the corresponding benefit of reducing the cost of issuance.

In October the Company sold through underwriters, at par, $100 million $9\frac{3}{4}$% Debentures due 1979. Additional funds were received in a liquidating distribution from Florida Properties Inc., a 79.9% owned subsidiary, which sold 64,000 acres of Florida land, resulting in a gain to Beneficial of $12.1 million after taxes.

Interest Expense—Effective Rate

1974	7.52%	1969	6.26%
1973	6.86	1968	5.49
1972	6.30	1967	5.18
1971	6.17	1966	5.08
1970	6.63	1965	4.77
		1964	4.66



Two long-term debt issues matured during 1974: $25 million $3\frac{3}{8}$% Debentures due April 1 and $69 million $7\frac{1}{4}$% Debentures due September 1. Holders of $33.6 million in principal amount of the $9\frac{3}{8}$% Debentures due 1978 elected to leave their debentures outstanding at the reduced rate of $8\frac{1}{4}$% as provided in the indenture.

Western Acceptance Company, the finance subsidiary of Western Auto Supply Company, sold in December through underwriters its initial long-term debt issue. This $50 million issue, due 1979, rated AA by Standard & Poor's, carries a $9\frac{1}{2}$% interest rate, and was sold to yield 9.56%.

Attention is directed to the Notes to Beneficial's Financial Statements and in particular to Notes 1e, 2, 11, and 15 with respect to Translation of Foreign Currencies, Changes in Accounting Methods of Merchandising Subsidiaries, Foreign Operations, and U. S. and Foreign Taxes on Income and reconciliation of same.

An improved Cash Management System was introduced in January 1974 to more effectively control and utilize cash in the loan and finance offices through Bencom. The System is being installed in the Canadian offices in 1975. Savings are expected through a reduction in borrowed funds by better cash utilization as well as auxiliary benefits from the elimination of certain clerical work and responsibilities in the offices.

Finance Division

The Finance Division, consisting of the loan and finance offices and the insurance operations, contributed 71.8% of Consolidated Net Income excluding Extraordinary Credit.

The $452.5 million in Revenue of the Division was 8.7% higher than the $416.3 million for the preceding year, but 1974 showed a decrease of 4.0% in Net Income, $50.5 million in 1974 as compared to $52.6 million in the prior year. Directly and indirectly, the reason for the decline was the inflationary-recessionary economy.

Loan and Finance Offices

The loan and finance offices make consumer loans to individuals pursuant to consumer finance laws, which include "small loan laws" and other statutes authorizing larger loans. They also purchase sales finance contracts, evidencing time sales of merchandise and services, and engage in related activities.

The performance of the loan and finance subsidiaries in 1974 was commendable in view of the unsettled conditions which prevailed in the finance industry in the United States and other countries in which Beneficial loan and finance offices are located. At year end the 1,773 Beneficial offices were doing business in 1,467 locations in the United States, 219 in Canada, 59 in Australia, 23 in England, and 5 in Puerto Rico.

The $388.2 million in Revenue generated by loan and finance operations was the highest ever and represented a 5.9% increase over 1973 Revenue. Total receivables of $1,782 million at year end, representing a 4.8% gain over the $1,701 million reported for 1973, also reached an all-time high. However, the unusual combination of spiraling inflation and the continuing recessionary forces resulted in a 12.0% decrease in Net Income, moving down to $39.8 million from the $45.2 million for 1973.

While inflation tends to increase the size of loans made and, therefore, exerts upward influence on the receivables and gross revenue, such increase is more than offset by the upward pressure on business costs. Included in the generally higher cost of doing business are two important expense items, large increases in interest cost for borrowed money and Provision for Possible Credit Losses. Interest Expense of $105.1 million was 18.4% higher than in 1973, of which $12.4 million (75.7%) is directly attributable to the higher interest rates prevailing during 1974. Data with respect to the Provision for Possible Credit Losses are set forth on Page 7. Inflationary pressures and unemployment have

Beneficial loan and financial services help thousands of families and individuals get more out of living. People use Beneficial loans to consolidate their bills, for family shopping trips, medical expenses, vacations, home improvements, to pay taxes, and for many other good reasons.

severely curtailed discretionary income, thereby decreasing the number of loan customers satisfying Beneficial's higher credit requirements, as well as adversely affecting the ability of existing customers to meet their obligations.

The loan and finance operations, in common with those of other financial institutions, experienced an increase in delinquency. At year end Beneficial's loan receivables more than two months delinquent, based on recency of payments, increased to 1.28% compared with 1.15% a year earlier. Despite this increase, overall delinquency was slightly less than a year earlier.

Monthly cash principal collections as a percentage of average net receivables decreased from 4.80% to 4.29%, so that the $894 million collected during 1974 was $43 million (4.6%) less than the $937 million collected in 1973. The principal factors which contributed to this situation were a decrease in the number of accounts which were paid in full prior to maturity, an increase in larger loans with longer maturities, which tend to be paid off at a slower rate, and a general slowdown in collections.

Approximately 94% of the receivables was derived from the making of direct cash loans. While the aggregate loan receivables were higher in dollars than ever before, the 1,423,000 transactions during the year were 12% less than the preceding year and the number of accounts at year end was 3.2% less than for the previous year. The primary reasons for this decrease were a system-wide tightening of credit standards for new loans and a resultant decline in the number of qualified customers.

As a result of inflation and the increased emphasis on the making of larger loans, the average size loan and its maturity increased during 1974 from $962 with a 34.6 month maturity to $1,057 with a 36.7 month maturity. The percentage of loans made in excess of $2,000 increased from 29.7% in 1973 to 35.3%. Larger loans, although made at lower average interest rates than on small loans, are more profitable, because the operating costs per dollar lent are less.

At the end of 1974, sales finance receivables of $104 million were 6% less than at the end of the prior year. The smaller volume of sales finance receivables purchased is the result of a number of factors, chief among which are: a) the requirement that at the time of purchase each receivable satisfy Beneficial's strict credit standards, b) the requirement that the purchase offer a viable profit margin, and c) the extension to the finance company purchasing the receivable of many of the consumer protective regulations applying to the seller of the merchandise or service. The average size of sales finance contract purchased was $355 with a maturity of 17.3 months as compared to $328 with an 18.2 month maturity for 1973.

People use Beneficial financial counseling for better budget control and Beneficial Income Tax Service for modern, rapid preparation of returns.

In May of 1974 the installation of the loan and finance office centralized data processing network, Bencom, was completed so that virtually all of the United States and Canadian offices were on line. The completion of the Bencom installation after five years of preparation and research has great significance, because Bencom has the capacity to perform vital functions with an accuracy and speed never before achievable.

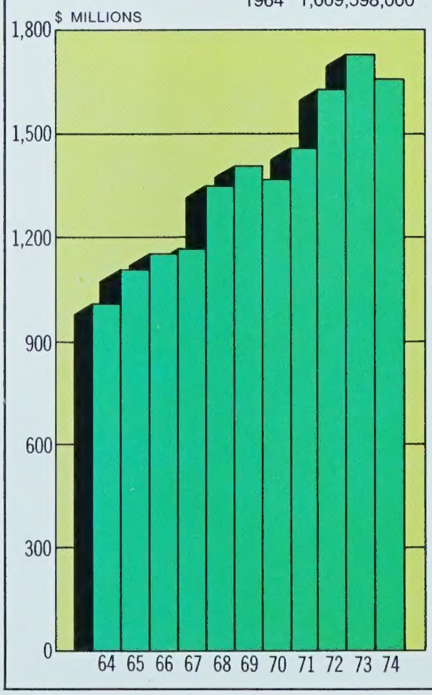
Bencom relieves loan and finance office personnel from many paperwork and clerical details, so that they can be more productive in making loans and handling business. Fewer employees can handle larger volume. Bencom prepares loan papers, calculates application of payments, keeps records, prepares reports, and even writes payroll checks. It has made possible the improved Cash Management System and has provided much better control over operations. A wealth of basic and timely information for management, such as office performance reports, profit and budget planning, expense control, and market surveys, is made available for use in operating and policy decisions.

Bencom has the capacity to perform such loan office and supervisory services for other finance companies and it has initiated a marketing program for such services.

The realities of the 1974 economy made it necessary to concentrate more on basics. Productivity, expense control, and careful definition and delegation of responsibility were at the top of the list in tightened overall supervision. Seventy-five offices with unacceptable earnings were closed and, after market surveys, 34 new offices were opened, so that the number of offices doing business at year end was 1,773 as compared to 1,814 at the end of the prior year. Much more emphasis was placed on proven tools, such as Beneficial's credit scoring system, assuring better credit judgment, which was extended during the year so that it was being used by approximately 1,100 offices in the United States and Canada. An example of the use of an established business getter is the Beneficial Income Tax Service, one of the largest income tax services in the United States. This service was offered during 1974 in 1,388 United States offices and 161 offices in Canada. Approximately 180,000 returns were prepared, which led to some $39 million in loans.

Volume in Loan and Finance Offices

1974	$1,669,254,000	1969	$1,402,672,000
1973	1,739,432,000	1968	1,352,295,000
1972	1,632,869,000	1967	1,162,047,000
1971	1,461,770,000	1966	1,148,152,000
1970	1,368,832,000	1965	1,105,807,000
		1964	1,009,598,000



The effectiveness of the loan and finance operations continued to be supported and enhanced by aggressive and varied personnel procedures. These include job oriented study courses, planned on-the-job training experience, regular analysis of individual and group performances, standards for office priorities and efficiency, and employee incentives in the form of awards for loan office contest winners and promotions for accomplishment.

Although the 1974 United States consumer lending market of $44,264 million was 6.9% over that of the prior year, Beneficial loan and finance offices' record receivables represented a smaller share of it than in the prior year, 3.72% as compared to 3.85%. The principal reasons for the decline in the share of the overall market are increased competitiveness of the varied lending institutions offering consumer credit services and Beneficial's quick reaction to changing economic conditions, reflected by its emphasis on the quality of loans and increased collection effort.

Despite the 1974 recessionary and inflationary conditions, which have carried over to 1975, the loan and finance offices have performed well. This has been accomplished by insistence on quality in management, operating personnel, and every phase of operation. The strategy for 1975 can be summed up in one word—quality.

Unearned Finance Charges

The total of Unearned Finance Charges on Finance Receivables represents the deferred income which is transferred to Revenue as monthly collections are received on the account balances of both dollar-cost loans and sales finance contracts.

Unearned Finance Charges are taken into Revenue by Beneficial as earned and collected under the Rule of 78ths. This Rule assumes that the portion of income in each payment is computed as the ratio of the number of remaining unpaid instalments plus one to the sum of the months that each contractual payment is outstanding.

Beneficial does not take into Revenue as an acquisition charge at the time of setting up the receivable any part of the amount to be collected over the term of the contract.

The average term of a loan contract increased by 6.1% to 36.7 months in 1974. Unearned Finance Charges as % of Related Net Receivables increased slightly in 1974. Such percentage tends to increase with longer scheduled maturities and tends to decrease with a decreasing proportion of newly acquired receivables.

At Year End	Net Receivables* Total	Net Receivables* Dollar-Cost Basis** %	Net Receivables* Dollar-Cost Basis** Amount	Unearned Finance Charges Relating Thereto	Unearned Finance Charges As % of Related Net Receivables
	(amounts in thousands)				
1974	$1,781,500	75.83%	$1,350,903	$380,437	28.16%
1973	1,700,696	79.75	1,356,231	377,078	27.80
1972	1,579,689	81.58	1,288,659	356,641	27.68
1971	1,441,331	81.11	1,169,103	313,847	26.85
1970	1,366,537	79.61	1,087,908	273,423	25.13

*After deducting Unearned Finance Charges.
**Obligations the face amount of which include Unearned Finance Charges.

Reserve for Possible Credit Losses

Because of the deterioration of the economy and consequent slowdown in collections on accounts, an abnormally large number and dollar amount of accounts were charged off. Primarily as a result of this, the Provision for Possible Credit Losses was the highest ever.

Because of both the high charge-offs and increased attention paid to collections, accounts more than two months delinquent increased only moderately—standing at 1.28% at the end of 1974 as compared with 1.15% for 1973. Recoveries in 1974 on accounts previously charged off were $5.1 million in 1974, an increase of 44.1% over the 1973 amount of $3.5 million.

Changes in Reserve for Possible Credit Losses, Year 1974

	Amount (in thousands)	% of Net Finance Receivables
Balance, January 1	$ 86,736	5.10%
Provision for Possible Credit Losses (after offsetting recoveries)	51,123	2.87
Foreign Exchange and Base Change Adjustments	(325)	(.25)
Total	137,534	7.72
Charge-offs (after offsetting recoveries)	44,896	2.52
Balance, December 31	$ 92,638	5.20%

Year	Provision for Possible Credit Losses (after offsetting recoveries)	Gross Amount of Finance Receivables Charged Off	Recoveries	Net Charge-Offs* as % of Average Gross Finance Receivables	Reserve for Possible Credit Losses at End of Year Amount	Reserve for Possible Credit Losses at End of Year % of Net Finance Receivables
	(amounts in thousands)					
1974	$51,123	$49,987	$5,091	2.12%	$92,638	5.20%
1973	40,756	39,887	3,532	1.82	86,736	5.10
1972	34,042	32,265	3,834	1.56	82,154	5.20
1971	28,566	29,675	3,625	1.57	76,448	5.30
1970	25,341	24,831	2,770	1.40	73,657	5.39

*Gross charge-offs after offsetting recoveries.

Insurance Operations

The major insurance subsidiaries in the Beneficial Insurance Group are Guaranty Life Insurance Company of America and The Central National Life Insurance Company of Omaha. While primarily underwriters of credit life and credit accident and disability risks, both also write directly and reinsure increasing amounts of ordinary life insurance and other life and health coverages. American Centennial Insurance Company is a domestic property and casualty carrier. Beneficial International Insurance Company, Limited is solely a reinsurer and operates exclusively outside the United States. While a substantial portion of all coverages written directly or reinsured by the Insurance Group is comprised of coverages provided through Beneficial offices, an increasing portion is written directly or reinsured from other sources.

The Insurance Group experienced a very successful year in 1974. Net Income was $10.7 million compared to $7.4 million for 1973, an increase of 44.4%. Accident and health benefits were $11.0 million compared to $12.6 million in 1973, down 12.1%. Death benefits, contrary to the national mortality trend, were 17.6% higher in 1974, $18.3 million compared to $15.6 million in 1973.

Central National, which is fully qualified to conduct business in 49 states and acts as a reinsurer in New York, underwrites directly a considerable volume of credit life and credit accident and health insurance risks which heretofore had been written by independent insurers and for the most part previously reinsured by the Insurance Group. Significant earnings from the direct writing of this business, begun in 1973, occurred for the first time in 1974. This broad area of operations readily fosters the development of business from independent sources, which generated written premium from outside sources in excess of $19.5 million in 1974.

Life insurance in force increased by 6.2% to $2.8 billion, of which $2.1 billion is credit life insurance. Ordinary life insurance in force includes insurance written directly as well as reinsurance assumed from other companies. Receivables of the Beneficial loan and finance offices were insured by the Insurance Group for credit life coverage to the extent of $1.7 billion and for credit accident and health in the amount of $0.9 billion.

Insurance Group offices located in Morristown, N. J., and Toronto, Canada, process the majority of death and disability claims and the daily average number of payments is 847. These two offices handle 90% of all claims processed and their actual payments numbered 210,909 in 1974. Benefits from all insurance plans exceeded $38 million. Plans are being developed to pay claims on insurance generated in the Beneficial loan and finance offices through the on-line computer system directly to such offices, thus eliminating separate check issue and postage.

Credit life and credit accident and health insurance has been written on Spiegel customers through Beneficial insurance companies since 1971. In 1974 credit property insurance was offered at the Spiegel customers' option and early indications reflect high customer acceptance. Plans developed for the direct writing of credit life insurance on customers of Western Auto were

Beneficial offers a broadening range of insurance products, including credit life and accident and health insurance, household contents protection, fire and extended coverage for homeowners, and single premium accidental death coverage. Solid protection at reasonable cost.

	1974	1973	% Increase
	(in millions)		
Investments (at amortized cost)	$ 120.0	$ 90.2	33.0%
Total Assets	148.3	122.0	21.6
Future Policy Benefits and Claim Liability	85.7	64.8	32.3
Shareholder's Equity	53.7	43.0	24.9
Premium Income	58.7	44.5	31.7
Policy Benefits	38.6	30.2	27.9
Increase in Reserve for Future Policy Benefits	14.6	9.4	54.6
Net Income	10.7	7.4	44.4
Insurance in Force	2,794.0	2,630.0	6.2

implemented in January 1975.

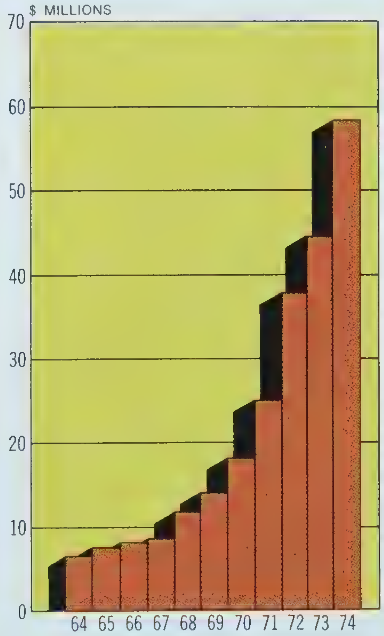
Casualty insurance programs continue to produce satisfactory increases in both premiums and underwriting results. Credit property, fire, accidental death, and other coverages are offered generally through Beneficial loan and finance offices by independent carriers. This business is reinsured by American Centennial. Written premium on casualty coverage increased 210% during 1974 to $21.3 million from $6.9 million. New programs for fire, household contents, and accidental death were introduced in several states during the year.

The success of Beneficial's insurance operations has been largely related to the development and implementation of innovative insurance programs designed to appeal to the Beneficial customer. 1974 saw the introduction in five states of low-cost single-premium accidental death and dismemberment insurance. This new coverage, written by independent carriers and reinsured with American Centennial, has been well received and is being extended in 1975.

The international insurance operation has continued to expand. A variety of insurance protection is now marketed through Beneficial loan and finance offices in Australia on an extensive basis. Such protection includes credit life, accidental death, fire, dwelling, motor vehicle, and recreational vehicle coverages. This segment of business is written by independent Australian carriers and reinsured with Beneficial International, a reinsurance subsidiary which operates exclusively outside the United States. Credit life insurance is also sold in the English loan and finance offices. The same high degree of customer acceptance as in the United States and Canada has been achieved in both Australia and England. Plans are now being formulated to increase the insurance offerings in England, which are now limited to credit life insurance. In 1974, written premium from overseas operations exceeded $19.2 million.

Premium Income

1974	$58,661,000	1969	$13,961,000
1973	44,542,000	1968	11,642,000
1972	37,913,000	1967	8,917,000
1971	24,975,000	1966	8,389,000
1970	18,172,000	1965	7,591,000
		1964	6,620,000



The Insurance Group in 1974 entered the reinsurance market centered in London. It is expected that the acceptance of foreign reinsurance will be expanded on a highly selective basis, reinsuring coverages such as fire and allied lines, casualty, health, accidental death, and marine.

During the past five years, total assets of the Insurance Group have increased 338% as a result of the acquisition of Central National, the development of other subsidiaries, and the growth of all phases of the operation. Total assets of the Insurance Group increased from $33.9 million at the end of 1969 to $148.3 million by the end of 1974.

The Insurance Group's investment portfolio at December 31, 1974 of $120 million is income oriented, consisting of 50.4% municipal bonds, 20.4% commercial paper and industrial bonds, 10.0% preferred stock, 12.0% common stock, and 7.2% other investments. Investment income of the Insurance Group increased 40.1% to $6.3 million from $4.5 million for the prior year. Security Investments of Beneficial Corporation and Consolidated Subsidiaries, which include the subsidiaries comprising the Insurance Group, is shown by classification as to type of investment in Beneficial Note 4 to Financial Statements. The Insurance Group holds the predominant portion of the total shown in the Note.

Merchandising Division

The Merchandising Division, consisting of Western Auto Supply Company and Spiegel, Inc. and their subsidiaries, contributed 28.2% of Consolidated Net Income excluding Extraordinary Credit.

The Division's Net Sales and Other Revenue in 1974 was down 2.2%, moving to $1,039.2 million from $1,062.6 million in the prior year. Net Income also declined—from $23.3 million to $19.9 million (14.9%). Such declines were largely caused by the adverse economic conditions prevailing during 1974 as well as policy changes implemented by Spiegel, Inc.

Western Auto Supply Company

Western Auto conducts a nationwide merchandising business, selling a wide variety of merchandise, primarily durable goods, at retail in its own stores located in many major communities and at wholesale to independently owned and operated associate stores located in smaller communities. Most of the merchandise bears trademarks or brands owned by Western Auto, such as Davis for tires, Truetone for TV and stereos, Wizard for household, automotive, hardware, and gardening products, Revelation for sporting goods, Treasure House for furniture, and Western Flyer for bicycles.

Western Acceptance Company, a wholly-owned subsidiary, purchases receivables arising from credit sales by both Western Auto company-owned and associate stores.

Western Auto and its subsidiaries realized increases in Net Sales and Other Revenue, but experienced a slight decline in Net Income for 1974. Net Sales and Other Revenue, in the amount of $643.2 million, was the highest in the company's history, surpassing the 1973 figure by $11.2 million. Net Income for 1974 of $14.6 million represents a decrease of 4.6%. An increase in Interest Expense of $3.6 million due to increases in interest rates reduced Net Income substantially.

Net Sales and Other Revenue and the number of transactions of Western Auto's 544 company-owned stores continued at approximately the same levels as in 1973. Net Sales and Other Revenue was $207.9 million in 1974 as compared with $210.5 million in 1973. Thirty-two company-owned stores were opened during the year and 32 were closed. Credit sales accounted for 51% of retail sales. During 1974 the company's sales per square foot of selling space for stores open a full year or more averaged $78.23 as compared with $85.79 in 1973. The decline in sales per square foot, which became more pronounced as the year progressed, was due primarily to the drop in consumer demand for large household appliances, television, and other electronic home entertainment items. In an attempt to overcome this decline, the company is intensifying its well tested merchandising concepts, including the specialty shop—employing the "Store Within A Store" concept.

Western Auto's retail organization in 1974 opened five larger stores having as much as 40,000 square feet of total space, being two to four times the size of standard company stores. These stores have home improvement departments, lawn and garden specialty depart-

Western Auto stores specialize in durable goods such as household products, automotive products, sporting and leisure goods, hardware, and gardening equipment. They blend high performance with down-to-earth prices.

ments, a full line of sporting goods, full-line automotive departments, expanded auto service departments, and complete repair shops for bicycles and power mowers.

Wholesale Sales and Other Revenue in 1974 reached a new high of $435.3 million as compared with $421.5 million in 1973. Credit sales accounted for 33.0% of the sales volume. As of the end of the year the company had 4,271 associate stores, an increase of 22 during the year.

Under the Western Auto Associate Store Plan, which will have its 40th anniversary during 1975, independent owners of associate stores are offered assistance in financing, store site selection, store planning, advertising, sales promotion, merchandise selection, merchandising, and credit selling. During 1974, Western Auto's associate store expansion department assisted 150 owners in enlarging their stores, resulting in increased sales by them and Western Auto. The company conducted 332 seminars on credit selling for the owners, emphasizing good credit judgment and good collection follow-up procedures. Western Auto is testing electronic ordering systems for associate stores whereby they will be able to determine promptly the availability of merchandise and order by direct computer access.

In order to offer quality merchandise at competitive prices, Western Auto employs a staff of buyers who purchase each year approximately 14,000 different kinds of items from approximately 1,500 suppliers. Western Auto's fleet of trucks, primarily leased, moves its merchandise on regularly scheduled deliveries from its distribution centers to its associate and company-owned stores.

A program initiated in 1969 to provide better located, larger, and more efficient distribution centers was completed in 1974. This resulted in a reduction from 16 centers, some of which were becoming obsolete, to 10 modern distribution plants with improved service and greater economy in distribution. All of the distribution centers are now company-owned, contrasted with lease arrangements several years ago.

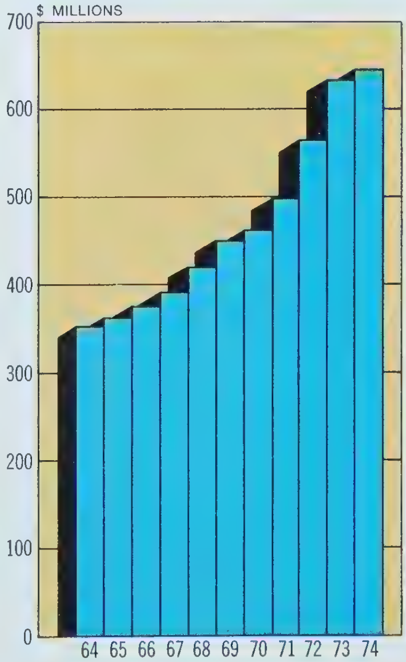
Prior to 1974, Western Acceptance Company, a wholly-owned subsidiary of Western Auto, purchased only receivables generated by Western Auto associate stores. In December of 1974 it made an initial purchase of approximately $100 million from Western Auto of receivables arising from sales by company-owned stores. In order to do this, it used the proceeds of a $50 million debenture offering due in 1979, together with proceeds of short-term borrowings. As of December 31, 1974 the total receivables Western Acceptance Company held were $211.4 million.

Midland International Corporation is an international marketing and importing subsidiary which is engaged in the sale to Western Auto and others, primarily to others, of communications and other electronic equipment, automotive accessories, tools, and sporting goods. In 1974 it had sales of $76.5 million, a decrease of 2.2%. This sales decline was due primarily to softness in certain consumer electronics such as television and stereo equipment. Midland's Net Income exclusive of Eva Gabor International, Ltd., a subsidiary of Midland, was $0.1 million as compared with Net Income of $0.6 million in 1973, due principally to the sales decline and high interest costs. Eva Gabor International is engaged in the business of importing and selling hair goods and accessories. In 1974 it expanded its business to the production and sale of women's high fashion dresses and sports and leisure wear. Its sales of $6.3 million and net loss, after tax credit, of $0.3 million represented a sales gain of 21.7%, and an income decline of $0.7 million, the latter being due mainly to start-up costs in the new dress division.

The clouded outlook for the merchandising business in 1975 puts a premium on the utilization of proven techniques in merchandising, credit granting, cost and inventory control, and employee motivation.

Net Sales and Other Revenue

1974	$643,204,000	1969	$451,521,000
1973	631,989,000	1968	418,698,000
1972	566,797,000	1967	391,636,000
1971	498,695,000	1966	376,507,000
1970	461,295,000	1965	362,814,000
		1964	353,221,000



Spiegel, Inc.

Spiegel engages in the sale of merchandise, primarily soft goods, through catalogs, principally by mail and through order stores. It sells many products with nationally-known trade names and brands. Each Spiegel catalog features quality merchandise, including many of the most wanted national brands, suitable for every member of the family and for America's homes.

Net Sales and Other Revenue for 1974 was $396.0 million as compared to $430.6 million in 1973, a decrease of 8.0%. Spiegel's higher credit standards, decreased circulation of sales material, and reduced customer response were largely responsible for such decline.

Net Income for 1974 of $5.3 million was 34.3% less than the prior year's $8.0 million. The decline was caused by a sharp increase in bad debts, the decline in merchandise sales, and selling price restrictions affecting the first half of the year imposed by the Economic Stabilization Act.

Cash sales for the year declined 6.9% while credit sales decreased 10.4%. Less credit sales promotion and a growing consumer reluctance to assume new or additional debt, as well as tighter credit acceptance policies, contributed to the decline in credit sales. At year end there were 1.9 million active customer accounts with an average balance of $226. Customer accounts receivable of $438.7 million showed a decrease of $26.5 million (5.7%) from the previous year.

Provision for Doubtful Accounts increased 5.9% and charge-offs 28.1% in 1974 as a result of an adverse trend in customer account delinquency that developed in the later months of 1973 and continued through the third quarter of 1974. To combat this trend, credit acceptance standards for new customers were tightened, a credit scoring system for new customers is being developed for catalog order offices, pilot decentralized collection offices were opened in high loss marketing areas, and collection efforts were intensified. These programs tended to reduce the growth in delinquency so that at year end delinquency was improved over the previous year end. While improved delinquency should reduce credit losses, management anticipates a continued need for maximum collection effort in 1975 and has strengthened internal organization to achieve this objective.

Sales through catalog order stores in 1974 totaled $115 million, a decrease of 9.8% from the volume a year earlier, and accounted for 39.8% of catalog sales. At year end there were 270 units in operation, compared to 271 at the close of 1973. The year was largely devoted to strengthening Spiegel's internal organization and restudying the demographics of existing and contemplated markets. It is anticipated that these studies will lead to a program of

From wearing apparel to home furnishings and other general merchandise for the entire family in satisfying the needs for today's lifestyle, smart shoppers rely on the Spiegel Catalog, at home and at convenient Spiegel Order Stores.

relocating stores in existing markets.

Marketing performance was strongly influenced in 1974 by a program designed to combat escalating costs. Increased postage and printing costs partially negated savings anticipated from more restrictive catalog and sale book circulation. Consumer caution moderated the results of the attempt to acquire new credit customers through use of specifically oriented material. Marketing plans for 1975 are based upon expansion of telephone ordering service for direct mail customers presently serviced by Spiegel's Eastern facility and ultimately to all direct mail customers. Merchandising and marketing programs directed primarily to present customers in 1975 are featuring aggressive promotional effort.

Merchandise availability ranged from conditions of shortages and delay in inventory replenishment during the early part of 1974 to ready availability and prompt delivery in the later months of the year.

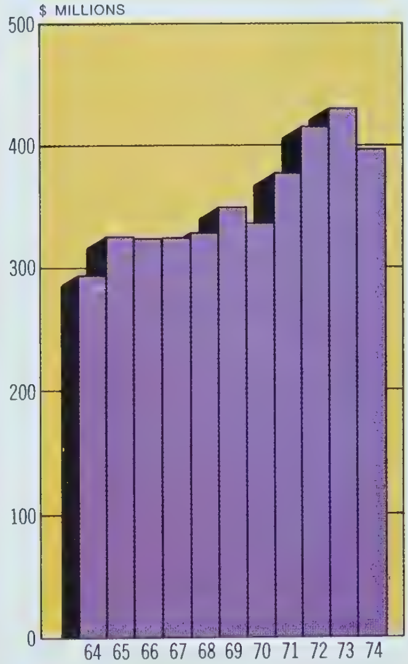
As customer demand diminished during the year, sales of wearing apparel decreased somewhat more sharply than household furnishings and hardlines.

The inventory management and control program initiated in 1973 resulted in a better balanced inventory and increased turnover. At year end, merchandise inventories were $1.2 million less than a year earlier, and inventory turnover of 6.6 times for the year was 8.2% improved over the preceding year.

Operational costs and service were favorably influenced by a more stable work force, strict cost control, improved quality of performance, and continued progress in automating clerical operations. The general improvement in operational efficiency and service has brought about a significant increase in customer satisfaction. Management recognizes the challenge of constantly rising labor and material costs, and its strategy for 1975 is designed to meet these problems through the curtailment of the less necessary staff functions, by improving planning through supervisory training, and by maintaining a constant search for profit opportunities.

Net Sales and Other Revenue

1974	$396,028,000	1969	$350,119,000
1973	430,613,000	1968	329,444,000
1972	418,602,000	1967	326,667,000
1971	379,846,000	1966	326,387,000
1970	338,745,000	1965	328,560,000
		1964	294,505,000



General

Beneficial Foundation, Inc.

Contributions by the Beneficial Foundation totaled $343,000 in 1974. Almost one-half of this amount represented the more than 300 scholarships awarded under the Foundation Scholarship Program for children of Beneficial employees. The remainder went to 54 institutions or agencies in the medical, education, cultural, and public service fields. The Foundation, organized in 1951, receives its support almost entirely from Beneficial Corporation and its loan and finance subsidiaries.

New Officer

Finn M. W. Caspersen, son of the late O. W. Caspersen, one of the founders of Beneficial Corporation, and of Freda R. Caspersen, a director, was elected Vice-President of Beneficial Corporation effective January 1, 1975. He was first employed by Beneficial Management Corporation as Associate Counsel in April of 1972 and the following October was named General Counsel of the Beneficial Insurance Group, in which positions he will continue to serve. Prior to his association with Beneficial, Mr. Caspersen practiced with a New York City law firm.

Beneficial Corporation
and Consolidated Subsidiaries

Balance Sheet December 31

ASSETS	1974	1973
	(amounts in thousands)	
Cash (Note 3)	$ 47,982	$ 53,617
Security Investments, at amortized cost (market value, $121,937 and $95,366) (Note 4)	140,513	97,250
Finance Receivables (Note 5)	2,161,937	2,077,774
Less: Unearned Finance Charges	(380,437)	(377,078)
Reserve for Possible Credit Losses	(92,638)	(86,736)
Insurance Policy and Claim Reserves Applicable to Finance Receivables	(57,288)	(47,405)
Net Finance Receivables	1,631,574	1,566,555
Receivable from Spiegel, Inc. and Subsidiaries (Note 6 and Page 26)	188,016	226,391
Investments in Non-Consolidated Subsidiaries (at equity in net assets) (Note 2):		
Western Auto Supply Company (Page 23)	234,355	220,773
Spiegel, Inc. (Page 26)	80,339	75,051
Other	4,237	8,935
	318,931	304,759
Fixed Assets (at cost, less accumulated depreciation and amortization of $14,464 and $12,088)	23,650	23,656
Other Assets (Note 7)	84,301	84,123
TOTAL	$2,434,967	$2,356,351

LIABILITIES AND SHAREHOLDERS' EQUITY	1974	1973
Short-Term Notes Payable (Note 8)	$ 265,023	$ 240,602
Accounts Payable and Accrued Liabilities (Note 9)	92,700	99,010
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	28,729	17,552
Long-Term Debt (Note 10)	1,360,464	1,353,263
TOTAL LIABILITIES	1,746,916	1,710,427
Unrecognized Gain Arising from Translation of Foreign Currencies (Notes 1e and 11)	1,058	8,411
Shareholders' Equity (Notes 10 and 12):		
Preferred Stock	140,498	140,737
Common Stock	18,976	18,897
Capital Surplus	39,658	39,180
Retained Earnings	487,861	438,699
TOTAL SHAREHOLDERS' EQUITY	686,993	637,513
TOTAL	$2,434,967	$2,356,351

The Notes to Financial Statements should be considered in connection with this Balance Sheet.

Beneficial Corporation
and Consolidated Subsidiaries

Statement of Income
Five Years Ended December 31, 1974

FINANCE DIVISION	**1974**	1973	1972	1971	1970
	(amounts in thousands)				
REVENUE:					
Loan and Finance	**$388,218**	$366,470	$331,382	$304,199	$286,544
Insurance	**64,321**	49,847	45,539	31,858	18,901
TOTAL	**452,539**	416,317	376,921	336,057	305,445
EXPENSES:					
Interest	**120,570**	106,220	91,665	81,526	84,520
Less Interest Income from Non-Consolidated Subsidiaries	**15,483**	17,475	18,158	15,544	14,526
	105,087	88,745	73,507	65,982	69,994
Salaries and Employee Benefits	**90,750**	87,094	81,541	73,492	68,634
Provision for Possible Credit Losses (after offsetting recoveries)	**51,123**	40,756	34,042	28,566	25,341
Benefits Provided—Insurance	**38,581**	30,158	22,499	15,812	13,256
Advertising, Telephone, Postage, Rent, and Other	**74,570**	67,920	62,534	54,979	46,044
TOTAL	**360,111**	314,673	274,123	238,831	223,269
INCOME BEFORE PROVISION FOR INCOME TAXES	**92,428**	101,644	102,798	97,226	82,176
PROVISION FOR INCOME TAXES:					
U. S. and Foreign (Note 15)	**35,340**	43,197	36,582	40,276	33,090
State and Local	**6,590**	5,857	7,558	6,500	6,400
TOTAL	**41,930**	49,054	44,140	46,776	39,490
INCOME FROM FINANCE DIVISION	**50,498**	52,590	58,658	50,450	42,686
MERCHANDISING DIVISION					
INCOME OF NON-CONSOLIDATED MERCHANDISING SUBSIDIARIES (Note 2):					
Western Auto Supply Company and Subsidiaries (Page 24)	**14,582**	15,293	17,359	15,166	14,917
Spiegel, Inc. and Subsidiaries (Page 27)	**5,288**	8,044	5,058	1,677	(3,815)
INCOME FROM MERCHANDISING DIVISION	**19,870**	23,337	22,417	16,843	11,102
INCOME BEFORE EXTRAORDINARY CREDIT	**70,368**	75,927	81,075	67,293	53,788
EXTRAORDINARY CREDIT (Note 16)	**12,109**	—	—	—	—
NET INCOME	**$ 82,477**	$ 75,927	$ 81,075	$ 67,293	$ 53,788
EARNINGS PER COMMON SHARE—PRIMARY (Notes 2 and 17):					
Earnings Available for Common Stock	**$72,945**	$65,921	$70,955	$56,947	$43,106
Average Outstanding Shares	**19,103**	18,705	18,413	18,143	17,885
Before Extraordinary Credit	**$3.19**	$3.52	$3.86	$3.14	$2.41
Extraordinary Credit	**.63**	—	—	—	—
Net Income	**$3.82**	$3.52	$3.86	$3.14	$2.41
EARNINGS PER COMMON SHARE—FULLY-DILUTED (Notes 2 and 17):					
Earnings Available for Common Stock	**$81,137**	$74,591	$79,804	$66,049	$52,582
Average Outstanding Shares	**24,479**	24,459	24,494	24,516	24,494
Before Extraordinary Credit	**$2.82**	$3.05	$3.26	$2.69	$2.14
Extraordinary Credit	**.49**	—	—	—	—
Net Income	**$3.31**	$3.05	$3.26	$2.69	$2.14
DIVIDENDS PER COMMON SHARE	**$1.25**	$1.20	$1.10	$1.0667	$1.0667

The Notes to Financial Statements should be considered in connection with this statement.

Management's Discussion and Analysis of the Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

Loan and Finance Revenue increased 5.9% in 1974 primarily as a result of a 7.2% increase in average Finance Receivables outstanding during the year. For 1973, this Revenue increased 10.6% due primarily to a 9.4% increase in average Finance Receivables. The smaller gain in average Finance Receivables in 1974 resulted from tightening customer credit standards. See the Loan and Finance Offices section on Page 4 for more information.

Insurance Revenue increased 29.0% in 1974 mainly because of new fire and casualty programs written by the companies as well as the reinsuring of established programs previously carried by non-affiliated insurers. See the Insurance Operations section on Page 8 for more information.

Interest Expense increased 18.4% in 1974 and 20.7% in 1973. These increases reflect higher interest rates, which reached record levels in 1974, as well as higher borrowing levels, especially in 1973. See Earnings and Dividends section on Page 2.

Provision for Possible Credit Losses (after offsetting recoveries) increased 25.4% in 1974 and 19.7% in 1973 primarily as a result of higher charge-offs. During this period, particularly in 1974, inflationary pressures and increasing unemployment severely curtailed the discretionary income of customers, thereby adversely affecting the ability of many to adequately meet their obligations. See the Reserve for Possible Credit Losses section on Page 7 for more information.

Benefits Provided — Insurance increased 27.9% in 1974 and 34.0% in 1973. The 1974 increase relates to the increase for that year in insurance volume while the increase for 1973 reflects a substantial strengthening in disability claim reserves of existing business and an increase in the loss ratios of life business. See additional detail under Insurance Operations on Page 8.

Changes in Provision for U. S. and Foreign Income Taxes for both years are explained in the rate reconciliation in Note 15, Page 21.

Income from Non-Consolidated Merchandising Subsidiaries is discussed and analyzed for Western Auto Supply Company on Page 24 and for Spiegel, Inc. on Page 27.

Statement of Retained Earnings

Five Years Ended December 31, 1974

	1974	1973	1972	1971	1970
			(amounts in thousands)		
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	**$490,405**	$449,110	$396,680	$354,703	$319,265
Adjustment for Retroactive Effect of Change of Accounting Methods (Note 2)	**(51,706)**	(53,972)	(52,235)	(47,815)	(40,082)
BALANCE, BEGINNING OF YEAR, AS ADJUSTED	**438,699**	395,138	344,445	306,888	279,183
Net Income (Note 2)	**82,477**	75,927	81,075	67,293	53,788
Transfer from Reserve for Possible Future Reduction in Value of Investment in Certain Subsidiaries	**—**	—	—	—	3,600
Total	**521,176**	471,065	425,520	374,181	336,571
Dividends on Capital Stock:					
Preferred	**9,626**	10,029	10,319	10,579	10,826
Common	**23,689**	22,337	20,063	19,157	18,857
Total Dividends	**33,315**	32,366	30,382	29,736	29,683
BALANCE, END OF YEAR	**$487,861**	$438,699	$395,138	$344,445	$306,888

The Notes to Financial Statements should be considered in connection with this statement.

Statement of Capital Surplus

Five Years Ended December 31, 1974

	1974	1973	1972	1971	1970
			(amounts in thousands)		
BALANCE, BEGINNING OF YEAR	**$39,180**	$36,524	$35,324	$39,424	$38,412
Excess of stated value of $5.50 Dividend Cumulative Convertible Preferred Stock over par value of Company Common Stock issued upon conversion	**231**	1,761	724	1,204	549
Excess of face amount of Spiegel Subordinated Debentures over par and stated values of Company capital stock issued in exchange	**22**	825	234	437	188
In connection with 3-for-2 Common Stock split effective January 31, 1972	**—**	—	—	(6,033)	—
Miscellaneous	**225**	70	242	292	275
BALANCE, END OF YEAR	**$39,658**	$39,180	$36,524	$35,324	$39,424

Statement of Changes in Financial Position

Five Years Ended December 31, 1974

	1974	1973	1972	1971	1970
SOURCE OF FUNDS:					
Operations:			(amounts in thousands)		
Income before extraordinary credit	**$ 70,368**	$ 75,927	$ 81,075	$ 67,293	$ 53,788
Non-cash charges (credits) to income:					
Provision for possible credit losses (before offsetting recoveries)	**56,214**	44,288	37,876	32,191	28,111
Increase in insurance reserves	**21,060**	14,010	9,215	23,623	4,727
Depreciation, amortization, and other	**5,858**	4,732	4,043	3,709	3,377
Deferred U.S. and foreign income taxes	**21,742**	(951)	(1,361)	398	(974)
Total	**175,242**	138,006	130,848	127,214	89,029
Less undistributed net income of non-consolidated subsidiaries	**19,166**	22,646	22,652	14,824	9,085
Total funds provided by operations	**156,076**	115,360	108,196	112,390	79,944
Extraordinary credit (Note 16)	**12,109**	—	—	—	—
Collections on finance receivables (excluding finance charges included in income)	**893,793**	937,162	849,556	768,068	705,723
Short-term notes payable—net increase (decrease)	**24,421**	9,450	(44,503)	43,180	(19,571)
Advances to non-consolidated subsidiaries—net decrease (increase)	**38,458**	26,091	(8,300)	(12,718)	(24,184)
Long-term debt issued	**103,945**	75,000	238,021	157,759	150,000
Other	**50,624**	34,434	2,622	20,964	21,907
	$1,279,426	$1,197,497	$1,145,592	$1,089,643	$913,819
APPLICATION OF FUNDS:					
New funds lent to customers	**$1,065,317**	$1,108,918	$1,020,686	$ 873,911	$803,030
Long-term debt paid	**103,449**	29,298	60,264	116,875	25,667
Increase in security investments (at amortized cost)	**43,263**	10,275	22,092	30,995	11,925
Cash dividends	**33,315**	32,366	30,382	29,736	29,683
Other	**34,082**	16,640	12,168	38,126	43,514
	$1,279,426	$1,197,497	$1,145,592	$1,089,643	$913,819

The Notes to Financial Statements should be considered in connection with the above statements.

Notes to Financial Statements

1. Summary of Significant Accounting Principles and Practices

a) Examination of Financial Statements. Audits are made as of June 30 and December 31 by independent Certified Public Accountants.

b) Basis of Consolidation. The financial statements include, after inter-company eliminations, all significant subsidiaries except the merchandising subsidiaries (Western Auto Supply Company and Subsidiaries and Spiegel, Inc. and Subsidiaries). However, the equity of the Company in the net assets and net income of all subsidiaries is included. Reference is made to the condensed financial statements of the merchandising subsidiaries, which appear elsewhere in this report.

c) Finance Operations. The statements are prepared to conform with the Industry Audit Guide for Finance Companies issued by the American Institute of Certified Public Accountants (AICPA). Certain amounts for prior years have been restated to conform with 1974 classifications.

The statements, with the exception of "Revenue—Loan and Finance" and certain operating expenses, are prepared on the accrual basis. The unrecorded asset of finance charges receivable exceeds the unrecorded liability for expenses payable. Such excess and the interperiod change therein are not considered material in relation to the Balance Sheet and Statement of Income, respectively.

Unearned finance charges generally are taken into income as earned and collected under the Rule of 78ths method. Income from interest-bearing direct cash loans is taken into income as collected.

Receivables considered uncollectible or to require disproportionate collection costs are charged to the Reserve for Possible Credit Losses monthly, but collection efforts are continued on the majority of accounts.

d) Insurance Operations. Insurance subsidiaries are engaged primarily in credit life and credit accident and health insurance.

The financial statements of all insurance subsidiaries are prepared in conformity with Generally Accepted Accounting Principles, rather than accounting principles prescribed by state insurance regulatory authorities.

Premiums on credit life and credit accident and health insurance are generally taken into income as earned under the Rule of 78ths.

e) Translation of Foreign Currencies. Assets and liabilities in foreign currencies (principally Canadian) are translated to U.S. dollar equivalents at the market rates at each Balance Sheet date. Translation of foreign operating results is at the average market rates for each period covered by the Statement of Income. Any exchange adjustments resulting therefrom are credited or charged to the Balance Sheet account "Unrecognized Gain Arising from Translation of Foreign Currencies." Any loss in excess of the accumulated unrecognized gain is charged to income.

2. Changes in Accounting Methods of Merchandising Subsidiaries

Effective January 1, 1974, the Company's non-consolidated merchandising subsidiaries, Western Auto Supply Company and Spiegel, Inc., changed their methods of revenue recognition pertaining to the time price differential on instalment sales to the sum of the digits method for Western Auto and to the effective yield method for Spiegel to conform with the Industry Audit Guide for Finance Companies issued by the AICPA. Previously, the entire amount of time price differential due on an instalment sale was recorded as revenue at the time of sale less an estimated provision for future collection cost.

Financial statements for prior years have been restated to apply the newly adopted methods retroactively and resulted in the following increases (decreases) shown for the four years ended December 31:

	1973	1972	1971	1970
		(in millions)		
Net Income as Previously Reported	$73.7	$82.8	$71.7	$61.5
Adjustments:				
Spiegel	2.0	(1.9)	(4.3)	(7.8)
Western Auto	.2	.2	(.1)	.1
	2.2	(1.7)	(4.4)	(7.7)
Net Income as Adjusted	$75.9	$81.1	$67.3	$53.8
Earnings per Common Share:				
Primary:				
As Previously Reported	$3.40	$3.95	$3.38	$2.84
Adjustments	.12	(.09)	(.24)	(.43)
As Adjusted	$3.52	$3.86	$3.14	$2.41
Fully-diluted:				
As Previously Reported	$2.96	$3.33	$2.87	$2.46
Adjustments	.09	(.07)	(.18)	(.32)
As Adjusted	$3.05	$3.26	$2.69	$2.14

The balances in Retained Earnings have been adjusted for the cumulative effect of the change. (See Note 1c to Condensed Financial Statements of both

Western Auto Supply Company and of Spiegel, Inc., which appear elsewhere in this report.)

The combined effect of the accounting change relating to the time price differential for the year ended December 31, 1974 resulted in the following increases: Net Income, $6.7 million; Earnings per Common Share—Primary, $.35; Fully-diluted, $.28.

3. Cash

Cash at December 31 consists of the following:

	1974	1973
	(in thousands)	
On Hand and Unrestricted Deposits	$ 8,077	$17,105
Compensating Balances	33,550	33,825
Certificates of Deposit	6,355	2,687
Total Cash	$47,982	$53,617

Compensating balance requirements are the greater of 10% of the bank line of credit or 20% of actual borrowings. The use of lines of credit is periodically rotated among banks. (See Note 8.)

4. Security Investments

These are held principally by the insurance subsidiaries as long-term investments and at December 31 consist of the following:

	1974		1973	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(in millions)			
Bonds:				
Commercial Paper	$ 28.2	$ 28.2	$ 8.7	$ 8.8
U. S. Government Obligations	1.7	1.7	2.0	2.1
Municipal Bonds	62.7	55.0	48.7	49.0
Convertible Bonds	6.9	4.4	7.9	6.7
Non-Convertible Bonds	14.6	14.6	9.4	10.2
	114.1	103.9	76.7	76.8
Stocks:				
Preferred Stocks	10.0	7.6	4.9	4.6
Convertible Preferred Stocks	2.0	1.4	1.3	1.3
Common Stocks	14.4	9.0	14.3	12.7
	26.4	18.0	20.5	18.6
Total Security Investments	$140.5	$121.9	$97.2	$95.4

5. Finance Receivables

The amount of and maximum term in months (from origination) of Finance Receivables at December 31 are as follows:

	1974	1973	1974	1973
	(in millions)		(months)	
Direct Cash Loans:				
Dollar-cost	$1,611	$1,607	84	84
Interest-bearing	431	344	84	84
All Loans	2,042	1,951		
Sales Finance Contracts	120	127	48	48
Total Finance Receivables	$2,162	$2,078		

Scheduled contractual payments of Finance Receivables to be received after December 31, 1974 are as follows:

	1975	1976	1977	1978	Beyond
Direct Cash Loans:					
Dollar-cost	46%	31%	16%	5%	2%
Interest-bearing	43	28	15	7	7
All Loans	45	31	16	5	3
Sales Finance Contracts	71	24	5	—	—
Total Finance Receivables	47	30	15	5	3

The above tabulation of scheduled contractual payments is not a forecast of collections. Cash collections on Finance Receivables (excluding finance charges included in income) amount to $893.8 million for 1974 and $937.2 million for 1973.

The percentage of monthly cash principal collections to average monthly balances was 4.29% for 1974 and 4.80% for 1973.

6. Receivable from Spiegel, Inc. and Subsidiaries

Of this amount at December 31, 1974 and 1973 $44.8 million and $42.6 million are receivable from Fairfax Family Fund, Inc., a consumer loan company.

Of the total amount at December 31, 1974 and 1973 $16.2 million and $22.8 million are subordinated to $70.0 million of long-term debt payable by Spiegel to a non-affiliated company.

7. Other Assets

At December 31 these consist of the following:

	1974	1973
	(in thousands)	
Excess of Cost of Common Stock of Certain Subsidiaries over Equity in Net Assets Thereof at Dates of Acquisition	$27,886	$28,086
Recoverable U. S. Federal Income Taxes	14,351	—
Deferred Income Tax Benefits	9,854	27,540
Unamortized Long-Term Debt Expense	9,061	9,101
Unamortized Insurance Acquisition Cost	7,688	6,670
Other	15,461	12,726
Total Other Assets	$84,301	$84,123

The Excess of Cost of Common Stock is not being amortized except for an insignificant amount relating to an acquisition in 1971 being amortized over a period ending in 1976.

In 1974 Deferred Income Tax Benefits results primarily from: a) the excess of Provision for Possible Credit Losses for financial statement purposes over such amounts allowable as deductions for tax purposes, b) amounts deductible for income tax purposes which relate to unrealized foreign exchange losses not charged against income for financial statement purposes, and c) amounts relating to the Company's

(continued)

Incentive Compensation Plan. For 1973 the Deferred Income Tax Benefits results primarily from the items designated as "a" and "c" above.

8. Short-Term Notes Payable

At December 31 these consist of the following:

	1974	1973
	(in thousands)	
Banks	$117,932	$119,802
Commercial Paper	147,091	120,800
Total Short-Term Notes Payable	$265,023	$240,602

Data as to the total for Short-Term Notes Payable for the years ended December 31 are:		
Maximum amount at any month end	$387,654	$254,600
Average amount	279,213	223,500
Average interest rate	10.96%	7.78%

The average interest rates on Short-Term Notes Payable at December 31, without giving effect to compensating balances at banks, and maturities are as follows:

	1974	1973
Average Interest Rates:		
Banks (at prime)	10.58%	9.97%
Commercial Paper (varies with prevailing money market rates)	10.26%	9.44%
Maturities in Days:		
Banks	1-70	1-70
Commercial Paper	7-266	11-268

At December 31 bank lines of credit are as follows:

	1974	1973
	(in thousands)	
Loans	$107,932	$107,893
Unused Portion	296,744	246,637
Total Lines	$404,676	$354,530

9. Accounts Payable and Accrued Liabilities

At December 31 these consist of the following:

	1974	1973
	(in thousands)	
Employee Thrift Accounts	$24,874	$24,997
Income Taxes Payable	6,121	10,312
Accrued Interest	25,482	24,714
Dealer Reserves	8,952	10,417
Minority Interest in Subsidiaries	4,901	4,886
Other	22,370	23,684
Total Accounts Payable and Accrued Liabilities	$92,700	$99,010

10. Long-Term Debt and Surplus Restrictions

Long-term debt outstanding December 31 is as follows:

	1974	1973
	(in thousands)	
By Currency:		
United States	$1,260,200*	$1,259,867*
Canadian	64,759	64,758
Swiss	35,505	28,638
Total Long-Term Debt	$1,360,464	$1,353,263
By Maturity:		
1974	$ —	$ 103,200
1975	41,875	75,452
1976	157,318	154,836
1977	119,725	115,910
1978	33,578	—
1979	158,945	55,000
1980-84	158,480*	158,434*
1985-89	115,543	115,431
1990-94	275,000	275,000
1995-99	150,000	150,000
2000-02	150,000	150,000
Total Long-Term Debt	$1,360,464	$1,353,263
Weighted Average Annual Interest Rate on Debt Outstanding at Year End	6.68%	6.43%

*Includes subordinated debt of $50.0 million.

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1974 and 1973 the amounts of all unrestricted Surplus (Capital Surplus and Retained Earnings), under the most restrictive of these covenants, are approximately $257 million and $272 million.

11. Foreign Operations

After translation to U.S. dollar equivalents, assets, liabilities, and net assets denominated in foreign currencies at December 31 and net income from operations in foreign countries for the years then ended are:

	1974	1973
	(in millions)	
Assets	$340.2	$296.0
Liabilities	172.3	146.6
Net Assets	$167.9	$149.4
Net Income	$13.0	$11.1

Exchange adjustments reflected in the Balance Sheet account "Unrecognized Gain Arising from Translation of Foreign Currencies" amounted to charges of $7.4 million in 1974, after offsetting Deferred Income Tax Benefits of $3.5 million, and of $1.1 million in 1973. The 1974 charge arises primarily from exposure in two currencies: the effect of devaluation on Beneficial's net assets denominated in Australian dollars, and appreciation of Beneficial's net liabilities denominated in Swiss francs. The 1973 charge resulted primarily from greater effect of appreciation of the Swiss franc than of the Australian dollar.

12. Capital Stock

At December 31 the number of shares of capital

stock is as follows:

	Issued and Outstanding 1974	1973
Preferred Stock—no par value (issuable in series). Authorized, 500,000	None	None
5% Cumulative Preferred Stock—$50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred Stock—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $73,326,800 and $74,818,900). Authorized, 1,164,077	733,268	748,189
$4.50 Dividend Cumulative Preferred Stock—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred Stock—no par value—$100 stated value (each share convertible prior to November 1, 1977 into 2.1 shares of Common). Authorized, 1,069,204	950,493	949,898
Common Stock—$1 par value. Authorized, 60,000,000	18,975,957(b	18,896,752(b

After deducting treasury shares

a)	178,012	178,012
b)	4,850,127	4,861,003

Of the authorized shares shown above as of December 31, 1974, an aggregate of 13,107 shares of $4.30 Preferred are issuable upon conversion of Spiegel Subordinated Debentures and 5,349,482 shares of Common are issuable upon conversion of $5.50 Preferred, $4.30 Preferred, and Spiegel Subordinated Debentures.

13. Employee Retirement Plans

Substantially all employees of the Company and consolidated subsidiaries are covered by one or more of several retirement plans. The plans are fully funded except for relatively minor amounts, which for the most part are being funded over periods of approximately ten years. Total expense of the plans was $1,608,000 for 1974 and $922,000 for 1973.

14. Leases

Rent expense was $14.1 million for 1974 and $13.0 million for 1973. Real estate leases total 1,780 and generally have an original term of five years with renewal option for a like term. Data processing equipment leases range from five months to seven years and generally are renewable. The minimum rental commitments under non-cancelable leases at December 31, 1974 are as follows:

(in millions)

1975	$8.6	1979	$2.4
1976	6.8	1980 thru 1984	3.5
1977	5.2	thereafter	0.3
1978	3.6		

Leases covering 75% or more of the economic life of the property or that assure lessors full recovery of investment plus a reasonable rate of return are immaterial.

15. U. S. and Foreign Taxes on Income

The Company files a consolidated Federal income tax return with all eligible subsidiaries, including the merchandising subsidiaries. The Provision for U. S. and Foreign Income Taxes is comprised of:

	1974	1973
	(in thousands)	
United States:		
Current	$ 3,309	$36,896
Deferred	22,460	(758)
Total U.S.	25,769	36,138
Foreign:		
Current	10,289	7,252
Deferred	(718)	(193)
Total Foreign	9,571	7,059
Total	$35,340	$43,197

A reconciliation between the expected and the effective U. S. and foreign tax rates on income from the Finance Division before income taxes is as follows:

	1974	1973	1972
		(in millions)	
Income before Provision for Income Taxes	$92.4	$101.6	$102.8
Less: Net Income of Non-Consolidated Finance Division Subsidiaries	0.4	0.5	1.3
State and Local Income Taxes	6.6	5.9	7.6
	7.0	6.4	8.9
Income of Consolidated Companies before Provision for U. S. and Foreign Income Taxes	$85.4	$ 95.2	$ 93.9
Expected Provision for U. S. and Foreign Income Taxes (at 48%)	$41.0	$45.7	$45.1
Expected Tax Rate (as used above)	48.0%	48.0%	48.0%
Increases (Decreases) in Taxes Resulting from:			
Income of insurance subsidiaries taxed at lower effective rates	(4.9)	(3.1)	(2.7)
Differential between U. S. and foreign tax rates	(1.1)	(2.9)	(0.9)
Adjustments of taxes relating to prior years	(0.9)	0.8	(0.5)
Adjustments relating to filing consolidated income tax returns	—	1.0	(1.5)
Receipt of dividends from subsidiaries	0.3	2.6	0.3
Other	—	(1.1)	(3.7)
Effective Tax Rate	41.4%	45.3%	39.0%
Provision for U. S. and Foreign Income Taxes	$35.3	$43.2	$36.6

(continued)

U. S. income taxes have not been provided on retained earnings of foreign subsidiaries, as such retained earnings are expected to be permanently invested in foreign countries. If such earnings were remitted, available foreign income tax credits would substantially offset applicable U. S. income taxes.

16. Extraordinary Credit

On October 18, 1974 Florida Properties Inc., a non-consolidated 79.9% owned subsidiary whose operations in prior years have not been significant, sold for cash 64,000 acres of undeveloped land in Osceola County, Florida. Substantially all of the proceeds have been distributed in liquidation. Beneficial Corporation's portion of the gain, after taxes of $5,190,000 at capital gain rates, is $12,109,000. (See Earnings and Dividends, Page 2, for calculation of the gain.)

17. Earnings Per Common Share

Primary Earnings per Common Share is computed on basis of average shares outstanding and equivalents thereof, after deducting dividend requirements on Preferred Stocks. None of the Preferred Stocks or Convertible Debentures are common stock equivalents.

Fully-diluted Earnings per Common Share is computed on same basis as above except that: average shares outstanding include those that would result from conversion of $5.50 Preferred Stock, $4.30 Preferred Stock, and Spiegel Subordinated Debentures (see Note 12); preferred dividend requirements on only non-convertible issues are deducted; and the remainder is increased by the savings of interest expense, less income tax effect, that would result from conversion of the Spiegel Subordinated Debentures.

Accountants' Opinion

The Board of Directors and Shareholders of Beneficial Corporation

We have examined the balance sheet of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1974 and 1973 and the related statements of income, retained earnings, capital surplus, and changes in financial position for the five years ended December 31, 1974. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Western Auto Supply Company and Consolidated Subsidiaries and Spiegel, Inc. and Consolidated Subsidiaries (non-consolidated subsidiaries), the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements for such companies were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1974 and 1973 and the results of their operations and changes in their financial position for the five years ended December 31, 1974, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, in which we concur, made by the non-consolidated subsidiaries in their methods of revenue recognition relating to the time price differential on instalment sales as described in Note 2.

HASKINS & SELLS

Newark, N.J.
February 17, 1975

Condensed Balance Sheet

December 31, 1974 and 1973

	1974	1973
	(amounts in thousands)	
ASSETS		
Cash	**$ 19,379**	$ 15,873
Notes and Accounts Receivable, less allowance for doubtful receivables of $14,083 and $13,837 and unearned finance charges of $12,113 and $9,998 (Note 1c and d)	**248,643**	232,285
Inventories, at lower of cost (first-in, first-out) or replacement market	**142,551**	142,311
Other Current Assets	**14,758**	15,987
Total Current Assets	**425,331**	406,456
Fixed Assets, at cost less accumulated depreciation and amortization of $16,498 and $13,932	**65,614**	56,081
Excess of Cost of Common Stock of Subsidiaries over Equity in Net Assets at Dates of Acquisition	**1,718**	1,777
Other Assets	**1,182**	749
Total	**$493,845**	$465,063
LIABILITIES AND SHAREHOLDER'S EQUITY		
Notes Payable	**$ 57,020**	$ 90,703
Trade Accounts Payable	**47,757**	47,190
Federal and State Income Taxes Payable (Note 1e):		
Current	**636**	991
Deferred	**22,873**	22,127
Other Current Liabilities	**30,422**	30,159
Total Current Liabilities	**158,708**	191,170
Long-Term Debt (Note 2)	**100,782**	53,120
Shareholder's Equity (Notes 1c and 2)	**234,355**	220,773
Total	**$493,845**	$465,063

Condensed Statement of Changes in Financial Position

Five Years Ended December 31, 1974

	1974	1973	1972	1971	1970
			(amounts in thousands)		
SOURCE OF FUNDS:					
Net Income	**$14,582**	$15,293	$17,359	$15,166	$14,917
Expenses Not Requiring Concurrent Cash Outlays (principally depreciation and amortization)	**5,099**	4,142	3,719	3,143	2,863
Funds Provided from Operations	**19,681**	19,435	21,078	18,309	17,780
Long-Term Debt Issued	**49,732**	1,121	146	49,371	90
Proceeds from Sale of Fixed Assets and Other	**851**	571	866	570	259
	$70,264	$21,127	$22,090	$68,250	$18,129
APPLICATION OF FUNDS:					
Additions to Fixed Assets	**$15,054**	$18,990	$16,947	$ 9,352	$10,092
Reduction of Long-Term Debt	**2,873**	498	1,190	1,393	1,062
Cash Dividends	**1,000**	1,000	1,000	100	150
Other	**—**	304	528	1,052	533
Increase (Decrease) in Working Capital:					
Notes and Accounts Receivable	**16,358**	28,647	26,530	7,336	8,452
Inventories	**240**	(1,480)	22,936	12,025	15,036
Accounts and Notes Payable	**33,116**	(36,016)	(51,337)	19,790	(10,466)
Other	**1,623**	9,184	4,296	17,202	(6,730)
Increase in Working Capital	**51,337**	335	2,425	56,353	6,292
	$70,264	$21,127	$22,090	$68,250	$18,129

Condensed Statement of Income and Retained Earnings

Five Years Ended December 31, 1974

	1974	1973	1972	1971	1970
		(amounts in thousands)			
Net Sales and Other Revenue (Note 1c)	**$643,204**	$631,989	$566,797	$498,695	$461,295
Cost of Goods Sold and Operating Expenses (including depreciation and amortization of $4,983, $4,052, $3,626, $3,100, and $2,863)	**593,990**	588,911	524,618	462,235	425,406
Net Operating Income	**49,214**	43,078	42,179	36,460	35,889
Interest Expense	**19,904**	13,831	7,799	6,303	6,071
Income before Taxes on Income	**29,310**	29,247	34,380	30,157	29,818
Federal and State Income Taxes:					
Current	**13,515**	11,775	16,069	16,022	12,966
Deferred	**1,213**	2,179	952	(1,031)	1,935
Total Federal and State Taxes on Income	**14,728**	13,954	17,021	14,991	14,901
Net Income	**14,582**	15,293	17,359	15,166	14,917
Retained Earnings, Beginning of Year, as Previously Reported	**147,068**	133,003	116,857	101,703	87,070
Adjustment for Retroactive Effect of Change of Accounting Method (Note 1c)	**(13)**	(241)	(454)	(366)	(500)
Retained Earnings, Beginning of Year, As Adjusted	**147,055**	132,762	116,403	101,337	86,570
Total	**161,637**	148,055	133,762	116,503	101,487
Dividends Paid	**1,000**	1,000	1,000	100	150
Retained Earnings, End of Year (Notes 1c and 2)	**$160,637**	$147,055	$132,762	$116,403	$101,337

Management's Discussion and Analysis of the Condensed Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

Sales increases during the period 1970-73 are primarily attributable to the expansion in number of wholesale and retail units. This expansion was curtailed in 1974 as the result of economic conditions.

Of the increases in Interest Expense of $6.1 million and $6.0 million for 1974 and 1973, 60% ($3.6 million) and 39% ($2.3 million) is due to increases in interest rates. The remainder is due to expansion of debt required to finance the company's growth, particularly in associate dealer accounts receivable and the modernization and expansion of distribution centers.

Notes to Condensed Financial Statements

1. *Accounting Policies*

a) Examination of Financial Statements. Audits are made as of June 30 and December 31 by independent Certified Public Accountants.

b) Basis of Consolidation. The financial statements include the accounts of Western Auto Supply Company and wholly-owned subsidiaries.

c) Change in Accounting Method. Effective January 1, 1974, the company changed its method of revenue recognition relating to the handling charges (finance charges) on instalment sales to conform with the Industry Audit Guide for finance companies. Accordingly, the financial statements have been restated to apply the newly adopted method retroactively.

As a result of the accounting change, Net Income for 1974 has been increased $440,000. Net Income for the four years ended December 31, 1973, starting with 1973, has been increased (decreased) by $228,000, $213,000, ($88,000), and $134,000 respectively.

d) Notes and Accounts Receivable. Included in current receivables are amounts becoming due after one year of $78.6 million at December 31, 1974 and $73.3 million at December 31, 1973.

e) Taxes on Income and Investment Credit. Deferred taxes result from timing differences in recognition of income and expense for tax and financial statement purposes. The deferred tax provision of

$1,213,000 for 1974 was primarily related to: credit sales reported on the instalment basis for tax purposes $317,000, decrease in allowance for doubtful receivables not deductible for tax purposes $569,000, and excess of tax over statement depreciation $418,000. In 1973, the deferred tax provision of $2,179,000 was primarily related to: credit sales reported on the instalment basis for tax purposes $1,221,000, decrease in amount of advertising expenses not deductible for tax purposes $648,000, and excess of tax over statement depreciation $282,000. Investment tax credits, which are immaterial in amount, are deferred and amortized over an eight year period.

f) Interim Operating Results. During interim periods, the company estimates costs of sales using actual costs of merchandise sold for wholesale sales and estimated gross profit for retail sales. In addition, provisions are made for estimated inventory shortages and for obsolete or deteriorated merchandise. Final determination of physical inventory adjustments and of obsolete or deteriorated merchandise generally occurs in the fourth quarter. The adjustments made in the fourth quarter for these items had the effect of increasing Net Income for that quarter by $2.3 million in 1974 and $1.6 million in 1973, offsetting corresponding reductions in the first three quarters of the respective years.

g) Depreciation. Depreciation of fixed assets is on a straight-line method over the useful lives of the assets.

h) Employee Retirement Plan. The company's policy is to fund current retirement costs, including a provision for funding prior service costs, over a period of not more than thirty years.

i) Merchandise Warranty Reserves. Reserves are maintained to provide for anticipated costs relating to merchandise under warranty.

j) Pre-opening Costs. Pre-opening and start-up costs for new stores and distribution centers are charged to operations as incurred.

2. Long- erm Debt and Restrictions on Retained Earnings

Included in long-term debt are $48.1 million of 7.85% sinking fund debentures which require sinking fund payments commencing in 1976 and $50.0 million of 9.5% debentures due in 1979. The indentures relating to these debentures contain covenants restricting payment of dividends, the purchase or retirement of the company's capital stock, investments, and indebtedness. At December 31, 1974 the amount of shareholder's equity unrestricted under these covenants was $70.0 million.

3. Profit Sharing and Retirement Plans

Substantially all employees of the company and its subsidiaries are covered by trusteed profit sharing and retirement plans. The amounts charged to expense for the five years ended December 31, 1974, starting with 1974, in millions, were $4.6, $4.2, $4.4, $3.8, and $3.7.

4. Leases

At December 31, 1974 real property was occupied under 663 separate operating leases expiring from 1975 to 1994 with aggregate minimum annual rentals of $10.5 million. Rentals charged to expense for the five years ended December 31, 1974, starting with 1974, in millions, were $17.4, $17.5, $15.8, $13.8, and $13.3.

Accountants' Opinion

The Board of Directors of Western Auto Supply Company

We have examined the condensed balance sheets of Western Auto Supply Company and Consolidated Subsidiaries as of December 31, 1974 and 1973 and the related condensed statements of income and retained earnings and changes in financial position for the five years ended December 31, 1974. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned condensed financial statements present fairly the financial position of Western Auto Supply Company and Consolidated Subsidiaries at December 31, 1974 and 1973 and the results of their operations and the changes in their financial position for the five years ended December 31, 1974 in conformity with generally accepted accounting principles applied on a consistent basis.

Kansas City, Missouri
February 15, 1975

PEAT, MARWICK, MITCHELL & CO.

Condensed Balance Sheet

December 31, 1974 and 1973

	1974	1973
	(amounts in thousands)	
ASSETS		
Cash	**$ 6,755**	$ 8,746
Accounts and Notes Receivable, less allowance for doubtful accounts of $47,351 and $49,679 and unearned time price differential of $113,770 and $128,600 (Note 1c and d)	**455,483**	476,637
Inventories, at lower of cost (first-in, first-out) or market	**46,048**	47,553
Prepaid Expenses	**10,870**	9,298
Total Current Assets	**519,156**	542,234
Properties, at cost less accumulated depreciation of $19,138 and $18,459	**20,378**	21,773
Other Assets (Note 1b)	**3,430**	3,594
Total	**$542,964**	$567,601
LIABILITIES AND SHAREHOLDER'S EQUITY		
Payable to Beneficial Corporation (Note 2)	**$188,016**	$226,391
Other Current Debt	**1,412**	1,410
Federal and State Income Taxes Payable (Note 1e):		
Current	**549**	483
Deferred	**72,704**	63,359
Other Current Liabilities	**42,637**	43,041
Total Current Liabilities	**305,318**	334,684
Long-Term Debt (Note 2)	**157,307**	157,866
Shareholder's Equity (Note 1c)	**80,339**	75,051
Total	**$542,964**	$567,601

Condensed Statement of Changes in Financial Position

Five Years Ended December 31, 1974

	1974	1973	1972	1971	1970
		(amounts in thousands)			
SOURCE OF FUNDS:					
Net Income (Loss) (Note 1c)	**$ 5,288**	$ 8,044	$ 5,058	$ 1,677	$ (3,815)
Expenses Not Requiring Concurrent Cash Outlays (depreciation and amortization)	**3,242**	3,220	2,890	2,864	2,922
Funds Provided by Operations	**8,530**	11,264	7,948	4,541	(893)
Issuance of Long-Term Debt	**—**	—	1,050	—	—
	$ 8,530	$11,264	$ 8,998	$ 4,541	$ (893)
APPLICATION OF FUNDS:					
Additions to Properties	**$ 1,231**	$ 1,163	$ 3,663	$ 2,809	$ 1,617
Reduction of Long-Term Debt	**559**	3,638	1,387	2,097	1,150
Other	**452**	428	557	520	498
	2,242	5,229	5,607	5,426	3,265
Increase (Decrease) in Working Capital:					
Accounts and Notes Receivable	**(21,154)**	17,600	28,534	27,188	17,636
Inventories	**(1,505)**	(13,438)	11,031	9,928	(952)
Accounts and Notes Payable and Accrued Liabilities	**107**	(588)	(5,195)	(6,928)	(4,367)
Federal and State Income Taxes Payable	**(9,411)**	(21,648)	(22,389)	2,735	8,690
Payable to Beneficial Corporation	**38,375**	22,926	(9,209)	(36,693)	(23,402)
Other	**(124)**	1,183	619	2,885	(1,763)
Increase (Decrease) in Working Capital	**6,288**	6,035	3,391	(885)	(4,158)
	$ 8,530	$11,264	$ 8,998	$ 4,541	$ (893)

Condensed Statement of Income and Retained Earnings

Five Years Ended December 31, 1974

	1974	1973	1972	1971	1970
	(amounts in thousands)				
Net Sales and Other Revenue (Note 1c)	**$396,028**	$430,613	$418,602	$379,846	$338,745
Cost of Goods Sold (including buying and occupancy expenses)	**186,293**	210,678	205,645	192,968	173,797
Selling and Administrative Expenses (including Provision for Doubtful Accounts of $31,393, $29,654, $31,593, $26,695, and $20,485)	**175,349**	177,719	176,457	159,642	151,387
Interest Expense (including $15,432, $17,600, $18,184, $15,277, and $12,710 to Beneficial Corporation)	**24,125**	26,470	27,204	24,245	21,724
Total of Above Costs and Expenses	**385,767**	414,867	409,306	376,855	346,908
Income (Loss) before Income Taxes	**10,261**	15,746	9,296	2,991	(8,163)
Provision for Federal and State Income Taxes (Note 1e):					
Current	**(4,372)**	(12,817)	(20,192)	4,822	3,738
Deferred	**9,345**	20,519	24,430	(3,508)	(8,086)
Total Provision	**4,973**	7,702	4,238	1,314	(4,348)
Net Income (Loss) (Note 1c)	**5,288**	8,044	5,058	1,677	(3,815)
Retained Earnings, Beginning of Year, As Previously Reported	**84,866**	78,860	71,852	65,843	61,791
Adjustment for Retroactive Effect of Changes of Accounting Method (Note 1c)	**(51,693)**	(53,731)	(51,781)	(47,449)	(39,582)
Retained Earnings, Beginning of Year, As Adjusted	**33,173**	25,129	20,071	18,394	22,209
Retained Earnings, End of Year	**$ 38,461**	$ 33,173	$ 25,129	$ 20,071	$ 18,394

Management's Discussion and Analysis of the Condensed Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

1974—1973

Cost of Goods Sold, including buying and occupancy expense, declined 11.6% from 1973. This decline, evidenced in every major merchandise category, was caused principally by the decrease in sales.

Net Sales and Other Revenue declined 8.0% from 1973 principally because of imposition by the company of higher credit standards, decreased circulation of sales material, reduced customer response, and other causes as indicated on Page 12.

Interest Expense decreased 8.9% primarily because of the reduction in amount payable to Beneficial Corporation as a result of receiving credit for tax losses, as indicated in Note 1 e, and a moderate contraction of receivables and inventory.

The decrease in Income before Income Taxes in 1974 resulted primarily from the decrease in Net Sales and Other Revenue and an increase in the Provision for Doubtful Accounts, offset partially by reduced Selling Expenses (due to the lower sales volume) and Interest Expense. Correspondingly, the decrease in the Provision for Income Taxes results from the decrease in pre-tax income. The effective rates of income tax are approximately the same in both years.

1973—1972

The increase in Net Sales and Other Revenue in 1973 over 1972 largely accounted for the 69.4% increase in Income before Income Taxes.

The percentage increase in the Provision for Income Taxes was higher than that for pre-tax income because of an increase in the effective rate of income taxes for the consolidated life insurance company, due to a change in the composition of its income.

Notes to Condensed Financial Statements

1. Accounting Policies

a) Examination of Financial Statements. Audits are made as of June 30 and December 31 by independent Certified Public Accountants.

b) Basis of Consolidation. The financial statements consolidate Spiegel, Inc. and subsidiaries (all of which are wholly-owned) including Fairfax Family Fund, Inc., a consumer loan company, and Guaranteed Equity Life Insurance Co. Net Sales and Other Revenue and Net Income include the following amounts relating to Fairfax and Guaranteed:

	1974	1973	1972	1971	1970
			(in millions)		
Interest and Premium Income	$18.0	$17.2	$16.3	$15.9	$12.8
Net Income	$2.3	$2.9	$2.7	$2.2	$1.1

The life insurance company previously had been accounted for on the equity basis. This change in consolidation policy has no effect on Net Income and has an insignificant effect on other consolidated financial statement amounts. Comparative amounts for prior years have been restated on the same basis.

c) Changes in Accounting Methods. Effective January 1, 1974 the company changed its method of revenue recognition (Adjustment A in tabulation below) relating to the time price differential on instalment sales to conform with the principles set forth in the Industry Audit Guide for finance companies issued by the American Institute of Certified Public Accountants. Heretofore, the entire amount of the time price differential to become due on an instalment sale was immediately recorded as sales revenue and provision was made for future collection expense. By application of the provisions of the Industry Audit Guide, revenue from the time price differential on instalment sales is recognized using the effective yield method. The financial statements have been restated to apply the newly adopted method retroactively. As a result of the accounting change, Net Income for the year ended December 31, 1974 has been increased by $6,292,000.

Net income of the life insurance company has been reduced by insignificant amounts, shown below as Adjustment B, in changing from the statutory basis to the Generally Accepted Accounting Principles basis.

The combined effect of the above accounting changes on prior years Net Income was as follows:

	1973	1972	1971	1970
		(in thousands)		
As Previously Reported	$ 6,006	$ 7,008	$ 6,009	$ 4,052
Adjustment A	2,038	(1,950)	(4,130)	(7,568)
Adjustment B	—	—	(202)	(299)
Net Income (Loss) as Adjusted	$ 8,044	$ 5,058	$ 1,677	$(3,815)

d) Accounts and Notes Receivable. In accordance with generally recognized trade practice, Accounts and Notes Receivable (before deduction of the allowance for unearned time price differential) includes approximate amounts becoming due after one year of $311 million and $348 million at December 31, 1974 and 1973 respectively.

e) Taxes on Income. For income tax purposes the income arising from instalment sales continues to be reported on the cash collection basis. The income taxes deferred as a result thereof are included in current liabilities as Federal and State Income Taxes Payable—Deferred, which represents the accumulated total of reductions in Federal and state income taxes, arising principally from the use for tax purposes of the cash collection basis.

Prior to 1972 the company and its subsidiaries filed separate Federal income tax returns. The company's losses, in millions, for tax purposes of approximately $11.0, $28.9 and $45.6 in 1974, 1973, and 1972 respectively, arising principally from the use of the cash collection basis for instalment sales, are included in consolidated Federal income tax returns of the company's parent, Beneficial Corporation. As a result, the provisions for current income tax and the liability to Beneficial Corporation have been reduced, in millions, by $5.4, $13.9, and $21.1 for the respective years. The total provisions for income taxes are approximately the same as they would have been had the company continued to file separate returns.

f) Depreciation and Amortization. Depreciation of property is provided on the straight-line method over the estimated useful lives. Major computer development costs and catalog order store pre-opening expenses are deferred and amortized over a period not in excess of five years.

g) Employee Pension Plan. The company has an unfunded, non-contributory pension plan for eligible hourly-compensated employees. Pension costs charged to expense, including amortization of prior service costs over forty years, for the five years ended December 31, 1974, starting with 1974, aggregated $540,000, $666,000, $425,000, $364,000, and $195,000. At December 31, 1974 the actuarially computed excess of vested benefits over balance sheet accruals was $2.2 million.

The effect of the 1974 pension reform legislation on the pension plan has not yet been actuarially determined; however, commencing in 1976 there will be requirements for funding of pension costs.

2. Long-Term Debt

Long-term debt, some of which is secured by property, matures in varying amounts from 1977 to 1992 and bears interest at 4.5% to 5.9%.

At December 31, 1974 $16.2 million of the amount payable to Beneficial Corporation is subordinated to $70 million of long-term debt payable to a non-affiliated company.

3. Leases

Rent expense, principally for catalog offices and data processing equipment, in millions, for the five years ended December 31, 1974, starting with 1974, was $5.4, $5.7, $6.3, $5.9, and $5.1. Minimum rental commitments under non-cancelable leases, net of subleases, in millions, at December 31, 1974 were: 1975—$3.1; 1976—$2.1; 1977—$1.4; 1978—$1.2; 1979—$0.8 and 1980 through 1983—$0.6.

Accountants' Opinion

The Board of Directors of Spiegel, Inc.

We have examined the condensed balance sheet of Spiegel, Inc. and Consolidated Subsidiaries as of December 31, 1974 and 1973 and the related condensed statements of income and retained earnings and of changes in financial position for the five years ended December 31, 1974. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note 1 to the financial statements, effective January 1, 1974, the company changed its method of revenue recognition related to the time price differential on instalment sales and in 1973 restated the net income of its life insurance company for the years 1970 and 1971 to conform with the principles set forth in the Industry Audit Guides for finance companies and for insurance companies issued by the American Institute of Certified Public Accountants.

In our opinion, the aforementioned financial statements examined by us present fairly the financial position of Spiegel, Inc. and Consolidated Subsidiaries at December 31, 1974 and 1973, the results of their operations and the changes in their financial position for the five years ended December 31, 1974, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the changes, with which we concur, referred to in the preceding paragraph.

PRICE WATERHOUSE & CO.

Chicago, Illinois
February 14, 1975

Beneficial Corporation
and Consolidated Subsidiaries

Eleven-Year Summary

Years ended December 31	1974	1973	1972
During the Year			
Consolidated			
Net Income (a)	$ **82,477**(b	75,927	81,075
Earnings per Common Share (dollars) (a)			
Primary	$ **3.82**(b	3.52	3.86
Fully-diluted	$ **3.31**(b	3.05	3.26
Average Number of Common Shares			
Primary	**19,103**	18,705	18,413
Fully-diluted	**24,479**	24,459	24,494
Cash Dividends Paid per Common Share (dollars)	$ **1.25**	1.20	1.10
Finance Division			
Volume of Finance Receivables Acquired less Unearned Finance Charges	**$1,669,254**	1,739,432	1,632,869
Number of Finance Receivables Acquired	**1,886**	2,177	2,150
Average Amount of Transaction (dollars)	$ **885**	799	759
% of Monthly Cash Principal Collections to Average Monthly Balances	**4.29**	4.80	4.77
% of Finance Receivables Charged Off (after Offsetting Recoveries) to Average Monthly Balances	**2.12**	1.82	1.56
Revenue	$ **452,539**	416,317	376,921
Income before Income Taxes	$ **92,428**	101,644	102,798
Income from Finance Division	$ **50,498**	52,590	58,658
% of Income from Finance Division to Revenue	**11.16**	12.63	15.56
Merchandising Division (a)			
Western Auto Supply Company and Subsidiaries			
Net Sales and Other Revenue	$ **643,204**	631,989	566,797
Net Income	$ **14,582**	15,293	17,359
% of Net Income to Net Sales and Other Revenue	**2.27**	2.42	3.06
Spiegel, Inc. and Subsidiaries			
Net Sales and Other Revenue (c)	$ **396,028**	430,613	418,602
Net Income (Loss)	$ **5,288**	8,044	5,058
% of Net Income (Loss) to Net Sales and Other Revenue	**1.34**	1.87	1.21
Combined			
Net Sales and Other Revenue	**$1,039,232**	1,062,602	985,399
Income before Income Taxes	$ **39,571**	44,993	43,676
Income from Merchandising Division	$ **19,870**	23,337	22,417
% of Income from Merchandising Division to Net Sales and Other Revenue	**1.91**	2.20	2.27
At Year End			
Consolidated			
Total Debt	**$1,650,361**	1,618,862	1,558,101
Shareholders' Equity (a)	$ **686,993**	637,513	591,158
Ratio of Total Debt to Shareholders' Equity	**2.40 to 1**	2.54 to 1	2.64 to 1
Finance Division			
Finance Receivables less Unearned Finance Charges	**$1,781,500**	1,700,696	1,579,689
% of Unearned Finance Charges to Related Net Finance Receivables	**28.16**	27.80	27.68
Reserve for Possible Credit Losses	$ **92,638**	86,736	82,154
% of Reserve for Possible Credit Losses to Finance Receivables less Unearned Finance Charges	**5.20**	5.10	5.20
% of Loan Receivables More than Two Months Delinquent (based on account balances)	**1.28**	1.15	0.99
Number of Accounts	**2,136**	2,250	2,223
Average Account Balance (dollars)	$ **834**	756	711

* The data for all years include results of companies accounted for on a pooling of interest basis; for comparability certai
amounts for 1973 and prior years have been reclassified to conform with the 1974 classifications.

a) Years prior to 1974 have been restated. (See Note 2, Page 18.)

All data adjusted for poolings of interests*

1971	1970	1969	1968	1967	1966	1965	1964
(amounts in thousands, except where noted)							
67,293	53,788	53,657	51,963	49,100	54,035	47,642	45,708
3.14	2.41	2.45	2.37	2.21	2.55	2.18	2.08
2.69	2.14	2.14	2.07	1.95	2.18	1.94	1.91
18,143	17,885	17,488	17,047	16,965	16,531	16,122	15,948
24,516	24,494	24,493	24,461	24,417	23,986	24,644	24,039
1.0667	1.0667	1.0667	1.0667	1.0667	1.0667	.97	.78
1,461,770	1,368,832	1,402,672	1,352,295	1,162,047	1,148,152	1,105,807	1,009,598
1,940	1,924	2,120	2,199	2,105	2,207	2,190	2,001
753	711	662	615	552	520	505	505
4.68	4.50	4.85	5.11	5.24	5.21	5.47	5.49
1.57	1.40	1.22	1.26	1.41	1.33	1.23	1.20
336,057	305,445	276,032	244,572	224,633	212,930	190,788	170,150
97,226	82,176	77,629	70,296	64,962	65,701	58,130	53,832
50,450	42,686	39,346	36,898	35,244	36,010	31,100	27,047
15.01	13.98	14.25	15.09	15.69	16.91	16.30	15.90
498,695	461,295	451,521	418,698	391,636	376,507	362,814	353,221
15,166	14,917	15,587	14,798	13,447	13,310	13,587	13,325
3.04	3.23	3.45	3.53	3.43	3.54	3.74	3.77
379,846	338,745	350,119	329,444	326,667	326,387	328,560	294,505
1,677	(3,815)	(1,276)	267	409(d	4,715	2,955	5,336
0.44	(1.13)	(0.36)	0.08	0.13	1.44	0.90	1.81
878,541	800,040	801,640	748,142	718,303	702,894	691,374	647,726
33,148	21,655	30,987	32,378	24,592	34,999	31,991	37,572
16,843	11,102	14,311	15,065	13,856	18,025	16,542	18,661
1.92	1.39	1.79	2.01	1.93	2.56	2.39	2.88
1,423,438	1,337,433	1,232,399	1,091,634	944,648	915,682	796,958	638,134
539,377	499,885	474,789	448,298	423,191	401,638	371,956	352,900
2.64 to 1	2.68 to 1	2.60 to 1	2.44 to 1	2.23 to 1	2.28 to 1	2.14 to 1	1.81 to 1
1,441,331	1,366,537	1,267,075	1,135,077	988,752	944,011	853,091	773,858
26.85	25.13	24.86	23.45	22.28	22.38	22.87	22.61
76,448	73,657	69,625	63,408	59,012	55,109	49,936	43,125
5.30	5.39	5.49	5.59	5.97	5.84	5.85	5.57
0.89	0.96	0.90	0.83	0.86	0.74	0.77	0.72
2,105	2,125	2,132	2,121	2,085	2,111	1,955	1,783
685	643	594	535	474	447	436	434

b) Includes Extraordinary Credit of $12.1 million from sale of undeveloped land by non-consolidated subsidiary (see Note 16, Page 22). Primary and Fully-diluted Earnings per Common Share include Extraordinary Credit of $.63 and $.49 per share respectively.
c) Years prior to 1974 have been restated for consolidation of life insurance company. (See Spiegel Note 1b, Page 28.)
d) Includes profit from sale of foreign subsidiary (net of Federal Income Tax) of $1.2 million.

Beneficial Corporation

Beneficial Building, Wilmington, Delaware

Board of Directors

CECIL M. BENADOM (1, 2)
President; Chairman of Executive Committee of Beneficial Management Corporation, a subsidiary

CHARLES W. BOWER (2)
Senior Vice-President and Treasurer

JAMES E. BURD (1)
Vice-President; Chairman of Board of Directors of Spiegel, Inc., a subsidiary

FREDA R. CASPERSEN
Chairman of Board of Directors of Westby Corporation, real estate investments, Wilmington, Delaware

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Retired

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President and Member of Executive Committee of Beneficial Management Corporation, a subsidiary

LEON A. FULTS
President of Western Auto Supply Company, a subsidiary

J. THOMAS GURNEY (3)
Attorney at Law, Gurney, Gurney & Handley, Orlando, Florida

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Chairman of Board of Directors; General Counsel and Member of Executive Committee of Beneficial Management Corporation, a subsidiary

ARNOLD T. KOCH (3)
Of Counsel to Wormser, Kiely, Alessandroni & McCann, New York, N.Y.

THOMAS A. McGRATH (3)
Retired

DeWITT J. PAUL
President of California Mission, Church of Jesus Christ of Latter-Day Saints

MODIE J. SPIEGEL
Retired

ARTHUR C. SWANSON
Retired

WILLIAM E. THOMPSON
Retired

ROBERT A. TUCKER (1, 2)
First Vice-President; Member of Executive Committee of Beneficial Management Corporation, a subsidiary

CHARLES H. WATTS, II (3)
President of Bucknell University, Lewisburg, Pa.

RALPH B. WILLIAMS
Retired

Director Emeritus

LOUIS FRANKE

1) Member of Executive Committee (Edgar T. Higgins, Chairman)
2) Member of Finance Committee (Robert A. Tucker, Chairman)
3) Member of Compensation Committee (Arnold T. Koch, Chairman)

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Chairman of the Board of Directors

CECIL M. BENADOM
President

ROBERT A. TUCKER
First Vice-President

CHARLES W. BOWER
Senior Vice-President and Treasurer

WILLIAM A. GROSS
Senior Vice-President

EDGAR D. BAUMGARTNER
Vice-President and Tax Counsel

JAMES E. BURD
Vice-President

FINN M. W. CASPERSEN
Vice-President; Associate Counsel, Beneficial Management Corporation, a subsidiary and Counsel to Beneficial Insurance Group

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Vice-President and Controller

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Auditor

GLENN E. PATON
Assistant Secretary

HAROLD J. ROBINSON
Assistant Secretary

JOHN R. DORAN
Assistant Treasurer

ELMER H. REYNOLDS
Assistant Treasurer

ROBERT F. HAAG
Assistant Controller

Beneficial Management Corporation

BENEFICIAL MANAGEMENT CORPORATION, a wholly-owned subsidiary, furnishes, at cost, supervision, audit, accounting, and other services to most of the operating subsidiaries.

Executive Committee

CECIL M. BENADOM
Chairman

EDGAR T. HIGGINS
ROBERT A. TUCKER
GEORGE R. EVANS
GORDON L. WADMOND

Officers

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President

GORDON L. WADMOND
Executive Vice-President

RICHARD A. WAGNER
Executive Vice-President Operating

JOHN BARYLICK, JR.
Senior Vice-President Business Development

RICHARD H. BATE
Senior Vice-President and Associate Counsel

LEO R. CARON
Senior Vice-President Operating

JOSEPH E. CHAUVETTE
Vice-President and Controller

VERNON L. COLLINS
Vice-President Audit

JOHN L. DEAN
Senior Vice-President Planning and Research

EDWARD A. DUNBAR
Senior Vice-President Insurance

JOHN M. FARRELL
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ROBERT P. FREEMAN
Senior Vice-President Personnel

LAWRENCE KELDER
Executive Assistant

JOHN L. KELLY
Vice-President and State Tax Counsel

ROBERT MALLOCK
Senior Vice-President Operating

DANIEL J. McCAFFREY
Senior Vice-President Operations

HELMUTH MILLER
Vice-President Public Relations

R. DONALD QUACKENBUSH
Vice-President Insurance

CLIFFORD W. SNYDER
Vice-President Advertising

CHARLES V. WALSH
Vice-President and Associate Counsel

ROBERT C. WETZEL
Senior Vice-President Operating

JAMES D. WARREN
Assistant Vice-President, Secretary, and Associate Counsel

WILLIAM S. PRICKETT
Treasurer

KENNETH J. KIRCHER
Assistant Vice-President, Secretary to Executive and Management Committees, and Associate Counsel

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EDGAR T. HIGGINS
General Counsel

Principal Executives of other Subsidiary Companies

J. E. ALDRIDGE
Vice-President
West Coast Central Department

DAVID G. ALEXANDER
Vice-President
Toronto Department

LOUIS B. BALDWIN
Vice-President
Southern Department

PIERRE E. BASHE
Vice-President
California North Department

GEORGE B. BRUSH
Vice-President
New England Department

DEWEY O. CASSLER
Vice-President
Tri-State Department

ERNEST H. COLE
Vice-President
Southwest Department

PAUL CONAHAN
Vice-President
Beneficial Finance Co. of New York, Inc.

GEORGE R. EVANS
President
Beneficial Finance Co. of Canada

JOHN FRANCE
Assistant Vice-President
England

GRANT H. GENSKE
Vice-President
Northwest Department

THOMAS E. GERRITY
Vice-President
Midwest Department

J. GAETAN HELMS
Vice-President
Montreal Department

GERALD L. HOLM
President
Beneficial Data Processing Corporation

CHARLES L. ROUNSAVALL
Vice-President
Midsouth Department

VERNON G. SMITH
President and Treasurer
Beneficial Finance Co. of New York, Inc.

JOSEPH A. STUBITS
Vice-President
Central Department

HARRY E. VANDERBANK
Vice-President
East Central Department

BEVAN G. WALKER
Vice-President, Secretary-Treasurer
Beneficial Finance Co. of Canada

WILLIAM G. WEISS
Vice-President
Eastern Department

MURRAY W. WILSON
Vice-President
Australia

JOHN F. YARLEY
Vice-President
Gulf Coast Department

Beneficial Insurance Group

The principal subsidiaries, all wholly-owned, comprising the Insurance Group conduct business both within and outside the U. S. as underwriters and reinsurers.

Principal Companies

THE CENTRAL NATIONAL LIFE INSURANCE COMPANY OF OMAHA

GUARANTY LIFE INSURANCE COMPANY OF AMERICA

BENEFICIAL INTERNATIONAL INSURANCE COMPANY, LIMITED

AMERICAN CENTENNIAL INSURANCE COMPANY

Officers of One or More Companies

EDWARD A. DUNBAR
Chairman of the Board of Directors

R. DONALD QUACKENBUSH
President

ROBERT E. GAEGLER
Vice-President and Controller

FINN M. W. CASPERSEN
Vice-President and Counsel to Beneficial Insurance Group

JAMES T. KEARNS
Vice-President Marketing and Operations

ALBERT G. MORHART
Vice-President Superintendent of Agencies

DONALD K. SMITH
Vice-President

JERRY B. BUXTON
Vice-President

MARY R. BERMINGHAM
Secretary and Treasurer

DAVID F. RICHARDSON
Assistant to Vice-President

WILLIAM G. JARMAN
Director of Marketing

JOY ORCHARD
Assistant Secretary

EILEEN A. WALSH
Assistant Secretary

See Supplemental Information– Data by Calendar Quarter (under flap)

Western Auto Supply Company

WESTERN AUTO SUPPLY COMPANY, Kansas City, Missouri, a wholly-owned subsidiary, is a nationwide organization selling at retail and wholesale a wide variety of merchandise, primarily durable goods.

Corporate Officers

LEON A. FULTS
President

KENNETH L. BROWN
Vice-President and Controller

HERBERT D. FROEMMING
Vice-President and Treasurer

JOSEPH C. GRISSOM
Vice-President

JOHN H. HENKE
Vice-President

WILLIAM F. HOOTEN
Vice-President

PHILIP E. LONG
Vice-President

LOUIS L. POPLINGER
Vice-President and Secretary

R. T. RENFRO
Vice-President

RALPH H. WARNHOFF
Vice-President

R. P. BRADLEY
Assistant Treasurer

RALPH L. WRIGHT
Assistant Secretary

Appointed Vice-Presidents

Retail—Regional

KEITH G. BRANDT
JERRY D. DEMONBREUN
DAVID E. JACKSON
LOUIS H. KUNTZ
EUGENE A. RENNER
JOHN B. WISSMAN

Wholesale—Regional

NORMAN C. BARRY
VERNON R. BROWN
ARTHUR CASCIARO
T. M. LUFFMAN
MAX H. TOOLEY

Operations—Regional

JOSEPH F. BORNHEIMER
CLINT R. HOBBS
ROBERT E. LANDIS
CARL W. MAHAN
ROBERT L. TAGUE

JACK BAIRD
Vice-President Personnel and Industrial Relations

BRUCE S. BRYAN
Vice-President Retail Credit

Principal Officers of Subsidiaries

JOHN W. LANE
President of Midland International Corporation

ALVIN L. ESBIN
President of Eva Gabor International, Ltd.

Spiegel, Inc.

SPIEGEL, INC., Chicago, Illinois, a wholly-owned subsidiary, is engaged in the sale of merchandise, primarily soft goods, principally by mail and order stores through catalogs.

Officers

JAMES E. BURD
Chairman of Board of Directors

EDWARD J. SPIEGEL
President

NATHAN N. BRAVERMAN
Executive Vice-President

WILLIAM E. COWAN
Executive Vice-President

ARTHUR A. POMPER
Executive Vice-President

ALBERT R. BELL
Vice-President and Secretary

MICHAEL R. MORAN
Treasurer-Controller

LEONARD A. GITTELSOHN
Vice-President

WILLIAM M. GIUNTOLI
Vice-President

CYRIL J. NIEMEC
Vice-President

RUSSELL E. PASCALE
Vice-President

MILTON J. SHAPIN
Vice-President

WILLIAM H. SASSER
Vice-President

PAUL A. STINNEFORD
Assistant Vice-President

MEYER SHEINFELD
Assistant Secretary

CAROLINE M. BIGGS
Assistant Treasurer

CLASSES OF STOCK	TRANSFER AGENTS	REGISTRARS
COMMON	Irving Trust Company, N. Y. Wilmington Trust Company Wilmington, Del. The First National Bank of Chicago	Chemical Bank, N. Y. Farmers Bank of the State of Delaware Wilmington, Del. Continental Illinois National Bank and Trust Company of Chicago
5% CUMULATIVE PREFERRED	Irving Trust Company, N. Y. Wilmington Trust Company Wilmington, Del.	Manufacturers Hanover Trust Company, N. Y. Farmers Bank of the State of Delaware Wilmington, Del.
$5.50 DIVIDEND CUMULATIVE CONVERTIBLE PREFERRED	Morgan Guaranty Trust Company of New York Wilmington Trust Company Wilmington, Del.	First National City Bank, N. Y. Farmers Bank of the State of Delaware Wilmington, Del.
$4.50 DIVIDEND CUMULATIVE PREFERRED	Bankers Trust Company, N. Y. Wilmington Trust Company Wilmington, Del.	The Chase Manhattan Bank, N. A., N. Y. Farmers Bank of the State of Delaware Wilmington, Del.
$4.30 DIVIDEND CUMULATIVE PREFERRED (CONVERTIBLE)	Manufacturers Hanover Trust Company, N. Y. The First National Bank of Chicago	The Chase Manhattan Bank, N. A., N. Y. Continental Illinois National Bank and Trust Company of Chicago

The principal market on which the above classes of stock are traded is the New York Stock Exchange.

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ısurance Group

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President Superintendent of Agencies

ALD K. SMITH
resident

Y B. BUXTON
resident

Y R. BERMINGHAM
ary and Treasurer

D F. RICHARDSON
nt to Vice-President

IAM G. JARMAN
ctor of Marketing

ORCHARD
stant Secretary

EEN A. WALSH
stant Secretary

See Supplemental Information– Data by Calendar Quarter (under flap)

Beneficial Corporation
and Consolidated Subsidiaries

Data by Calendar Quarter

	1974 First Quarter	Second Quarter	Third Quarter
REVENUE			
Finance Division	$108,736	$112,336	$115,657
Merchandising Division (a)			
Western Auto Supply Company and Subsidiaries	157,789	182,155	161,829
Spiegel, Inc. and Subsidiaries (b)	88,873	89,799	85,480
Revenue from Merchandising Division	246,662	271,954	247,309
Total	$355,398	$384,290	$362,966
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY CREDIT			
Finance Division	$29,790	$23,548	$22,868
Merchandising Division (a)			
Western Auto Supply Company and Subsidiaries	7,402	8,886	8,171
Spiegel, Inc. and Subsidiaries (b)	2,470	4,143	828
Income before Income Taxes from Merchandising Division	9,872	13,029	8,999
Total	$39,662	$36,577	$31,867
NET INCOME			
Finance Division	$16,035	$12,892	$12,406
Merchandising Division (a)			
Western Auto Supply Company and Subsidiaries	3,709	4,462	3,890
Spiegel, Inc. and Subsidiaries	1,325	1,945	333
Income from Merchandising Division	5,034	6,407	4,223
Income before Extraordinary Credit	21,069	19,299	16,629
Extraordinary Credit (c)	—	—	—
Total (a)	$21,069	$19,299	$16,629
EARNINGS PER COMMON SHARE (a)			
Primary			
Before Extraordinary Credit	$.98	$.88	$.75
Extraordinary Credit (c)	—	—	—
Net Income	$.98	$.88	$.75
Fully-diluted			
Before Extraordinary Credit	$.85	$.77	$.67
Extraordinary Credit (c)	—	—	—
Net Income	$.85	$.77	$.67
SHARES ENTITLED TO VOTE			
$5.50 Dividend Cumulative Convertible Preferred Stock			
High Sales Price	$116.25	$98.625	$77.50
Low Sales Price	105.00	76.625	58.50
Dividends Paid per Share	1.375	1.375	1.37
$4.30 Dividend Cumulative Preferred Stock (Convertible prior to November 1, 1977)			
High Sales Price	67.00	54.00	46.50
Low Sales Price	53.50	47.00	37.75
Dividends Paid per Share (payable semi-annually)	2.15	—	2.15
Common Stock			
High Sales Price	27.375	20.75	17.00
Low Sales Price	19.00	16.25	11.75
Dividends Paid per Share	.3125	.3125	.312

a) Quarterly and total figures for 1973 have been restated for retroactive changes in methods of revenue recognition by the non-consolidated merchandising subsidiaries. (See Note 2, Page 18.)

				1973		
Fourth Quarter	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
(in thousands, except per share figures)						
$115,810	$ 452,539	$ 98,947	$103,966	$104,440	$108,964	$ 416,317
141,431	643,204	150,510	177,697	153,133	150,649	631,989
131,876	396,028	92,042	105,049	93,026	140,496	430,613
273,307	1,039,232	242,552	282,746	246,159	291,145	1,062,602
$389,117	$1,491,771	$341,499	$386,712	$350,599	$400,109	$1,478,919
$16,222	$ 92,428	$28,199	$26,446	$26,921	$20,078	$101,644
4,851	29,310	8,379	9,943	4,820	6,105	29,247
2,820	10,261	5,058	4,982	3,428	2,278	15,746
7,671	39,571	13,437	14,925	8,248	8,383	44,993
$23,893	$131,999	$41,636	$41,371	$35,169	$28,461	$146,637
$ 9,165	$50,498	$14,020	$12,839	$15,098	$10,633	$52,590
2,521	14,582	4,252	5,173	2,552	3,316	15,293
1,685	5,288	2,463	2,451	1,642	1,488	8,044
4,206	19,870	6,715	7,624	4,194	4,804	23,337
13,371	70,368	20,735	20,463	19,292	15,437	75,927
12,109	12,109	—	—	—	—	—
$25,480	$82,477	$20,735	$20,463	$19,292	$15,437	$75,927
$ .58	$3.19	$.98	$.96	$.90	$.68	$3.52
.63	.63	—	—	—	—	—
$1.21	$3.82	$.98	$.96	$.90	$.68	$3.52
$ .53	$2.82	$.83	$.82	$.78	$.62	$3.05
.49	.49	—	—	—	—	—
$1.02	$3.31	$.83	$.82	$.78	$.62	$3.05
$79.00		$233.00	$171.00	$153.25	$160.25	
60.625		166.50	101.00	126.50	102.75	
1.375	$5.50	1.375	1.375	1.375	1.375	$5.50
47.25		112.50	87.50	77.50	80.125	
37.00		82.00	62.00	63.50	55.00	
—	4.30	2.15	—	2.15	—	4.30
18.00		53.00	38.75	35.875	36.375	
12.50		34.625	22.50	26.50	22.00	
.3125	1.25	.2875	.2875	.3125	.3125	1.20

b) Quarterly figures for the first three quarters of 1974 and quarterly and total figures for 1973 have been restated for consolidation of life insurance company. (See Spiegel Note 1b, Page 28.)

c) See Note 16, Page 22.

Beneficial Insurance Group

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Assistant Secretary

See Supplemental Information– Data by Calendar Quarter (under flap)

Beneficial Corporation
and Consolidated Subsidiaries

Data by Calendar Quarter

	1974		
	First Quarter	Second Quarter	Third Quarter
REVENUE			
Finance Division	$108,736	$112,336	$115,65
Merchandising Division (a)			
Western Auto Supply Company and Subsidiaries	157,789	182,155	161,82
Spiegel, Inc. and Subsidiaries (b)	88,873	89,799	85,48
Revenue from Merchandising Division	246,662	271,954	247,30
Total	$355,398	$384,290	$362,96
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY CREDIT			
Finance Division	$29,790	$23,548	$22,86
Merchandising Division (a)			
Western Auto Supply Company and Subsidiaries	7,402	8,886	8,17
Spiegel, Inc. and Subsidiaries (b)	2,470	4,143	82
Income before Income Taxes from Merchandising Division	9,872	13,029	8,99
Total	$39,662	$36,577	$31,86
NET INCOME			
Finance Division	$16,035	$12,892	$12,40
Merchandising Division (a)			
Western Auto Supply Company and Subsidiaries	3,709	4,462	3,89
Spiegel, Inc. and Subsidiaries	1,325	1,945	33
Income from Merchandising Division	5,034	6,407	4,22
Income before Extraordinary Credit	21,069	19,299	16,62
Extraordinary Credit (c)	—	—	—
Total (a)	$21,069	$19,299	$16,62
EARNINGS PER COMMON SHARE (a)			
Primary			
Before Extraordinary Credit	$.98	$.88	$.7
Extraordinary Credit (c)	—	—	
Net Income	$.98	$.88	$.7
Fully-diluted			
Before Extraordinary Credit	$.85	$.77	$.6
Extraordinary Credit (c)	—	—	
Net Income	$.85	$.77	$.6
SHARES ENTITLED TO VOTE			
$5.50 Dividend Cumulative Convertible Preferred Stock			
High Sales Price	$116.25	$98.625	$77.5
Low Sales Price	105.00	76.625	58.5
Dividends Paid per Share	1.375	1.375	1.3
$4.30 Dividend Cumulative Preferred Stock (Convertible prior to November 1, 1977)			
High Sales Price	67.00	54.00	46.5
Low Sales Price	53.50	47.00	37.7
Dividends Paid per Share (payable semi-annually)	2.15	—	2.1
Common Stock			
High Sales Price	27.375	20.75	17.0
Low Sales Price	19.00	16.25	11.7
Dividends Paid per Share	.3125	.3125	.3

a) Quarterly and total figures for 1973 have been restated for retroactive changes in methods of revenue recognition by the non-consolidated merchandising subsidiaries. (See Note 2, Page 18.)

Supplemental Information

		1973				
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(in thousands, except per share figures)						
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141,431	643,204	150,510	177,697	153,133	150,649	631,989
131,876	396,028	92,042	105,049	93,026	140,496	430,613
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.49	.49	—	—	—	—	—
$1.02	$3.31	$.83	$.82	$.78	$.62	$3.05
$79.00		$233.00	$171.00	$153.25	$160.25	
60.625		166.50	101.00	126.50	102.75	
1.375	$5.50	1.375	1.375	1.375	1.375	$5.50
47.25		112.50	87.50	77.50	80.125	
37.00		82.00	62.00	63.50	55.00	
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b) Quarterly figures for the first three quarters of 1974 and quarterly and total figures for 1973 have been restated for consolidation of life insurance company. (See Spiegel Note 1b, Page 28.)

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Beneficial Corporation